#### THE "OCTOBER SURPRISE" ALLEGATIONS THE CIRCUMSTANCES AND SUR-ROUNDING THE RELEASE THE AMERICAN HOSTAGES HELD IN IRAN

REPORT OF THE SPECIAL COUNSEL

TO

SENATOR TERRY SANFORD AND SENATOR JAMES M. JEFFORDS

OF THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE



NOVEMBER 19, 1992

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# LETTERS OF TRANSMITTAL

NOVEMBER 23, 1992.

The Honorable Clairborne Pell, Chairman, Committee on Foreign Relations, U.S. Senate, Washington, DC 20510

DEAR CLAIRBORNE: On August 5, 1991, the Majority Leader requested that the Committee on Foreign Relations, through its Near Eastern and South Asian Affairs Subcommittee, investigate the so-called "October Surprise" allegations that members of the Republican 1980 presidential campaign negotiated with representatives of the Ayatollah Khomeini to delay the release of the American hostages in Teheran.

As the Chairman and Ranking Member of the subcommittee, we conducted a preliminary investigation into these allegations. Enclosed is a copy of the report of our Special Counsel, Reid H. Weingarten. We endorse the observations, findings and recommendations of this report. A classified appendix to the report is available through the Committee on Foreign Relations.

With best wishes always.

TERRY SANFORD,
Chairman, Subcommittee on Near Eastern and
South Asian Affairs
JAMES JEFFORDS,
Ranking Member

OCTOBER 15, 1992.

The Honorable Terry Sanford,
Chairman, Subcommittee on Near Eastern and South Asian Affairs,
Committee on Foreign Relations,
U.S. Senate, Washington, DC 20510
The Honorable James Jeffords,
Ranking Member, Subcommittee on Near Eastern and
South Asian Affairs,
Committee on Foreign Relations,
U.S. Senate, Washington, DC 20510

DEAR SENATOR SANFORD AND SENATOR JEFFORDS: I am pleased to submit herewith the final report of the investigation of the "October Surprise" allegations and the circumstances surrounding the release of the American Hostages held in Iran.

Sincerely,

REID H. WEINGARTEN, Special Counsel



# CHAPTER L—ORIGIN OF THE INVESTIGATION

#### 1. Introduction

The Special Counsel to the subcommittee on Near Eastern and South Asian Affairs ("the subcommittee"), Senate Committee on Foreign Relations ("the Committee") has completed his preliminary investigation of the so-called "October Surprise" allegations. These allegations hold that Republican presidential campaign operatives and representatives of the Ayatollah Khomeini secretly agreed to delay the release of the American hostages held in Iran until after the November 1980 election, thereby assisting in the defeat of incumbent President Jimmy Carter. In return, according to these allegations, the Iranians were assured of later receiving supplies of American-made military equipment.

The "October Surprise" allegations have been raised in a variety of forums and publications, beginning even before the release of the hostages in January 1981. The allegations have taken many forms and include a multitude of different actors and events. The most important allegations, upon which this investigation has focused,

may be summarized as follows:

(a) Casey: it has been alleged that Ronald Reagan's 1980 campaign director, William J. Casey, developed an elaborate intelligence operation to monitor and perhaps influence the Carter Administration's handling of the hostage crisis, and to ensure that the Reagan campaign would not be caught off guard by a last-minute pre-election release of the hostages—a so-called "October Surprise." The most important of these allegations have been raised by Jamshid Hashemi, an Iranian ex-

For sources that contest the validity of the "October Surprise" allegations, see, e.g., F. Snepp, "October Surmise," Village Voice, Feb. 25, 1992, pp. 29-41; S. Emerson, J. Furman, "The Conspiracy that Wasn't," The New Republic, November 18, 1991, pp. 16-31; J. Barry, "The Making of a Myth," Newsweek, November 11, 1991, pp. 18-25; L. Cutler, "The October Surprise Made Unsurprising," The New York Times, May 15, 1991, p. A27.

¹See, e.g., "Ghotbzadeh Views U.S. Hostage Issue, Foreign Relations," Agence France-Presse, September 6, 1980; A. Chardy, "Reagan Aides, in 1980, held hostage talks," Miami Herald, April 12, 1987, p. 1A; C. Hitchens, "Minority Report," The Nation, July 4, 1987, p. 7; B. Bradlee Jr. and R. Higgins, "Did Reagan, Bush cut a 1980 hostage deal?," Boston Globe, October 23, 1988, p. A 25; Abol Hassan Bani-Sadr, My Turn to Speak: the Revolution & Secret Deals with the U.S. (New York: Brassey's [U.S.], Inc., 1991); ABC-TV Nightline, April 15, 1991; ABC-TV Nightline, June 20, 1991; J. Bleifuss, "Truth: the last hostage," In These Times, April 17-23, 1991; "The Election Held Hostage," PBS-TV Frontline, April 16, 1991; A. Hoffman and J. Silvers, "An Election Held Hostage," Playboy, October 1988; B. Honegger, October Surprise (New York: Tudor Publishing Co., 1989); Oakland Tribune, "The issue is treason," October 19, 1988, p. C-8; G. Sick, "The Election Story of the Decade," New York Times, April 15, 1991, p. A 17; G. Sick, October Surprise (New York: Random House Inc., 1991); L. Marti, "A Reagan Bargain With Iran ?," Newsweek, April 29, 1991, p. 33; "Treason in Washington: New evidence on the October Surprise," Executive Intelligence Review Special Report (Washington D.C.: EIR News Service Inc., February 1992); C. Unger, "October Surprise," Esquire, October 1991; "Investigating the October Surprise," PBS-TV Frontline, April 7, 1992; D. Radcliffe, "Patti Davis Says Mother Popped Pills, Washington Post, April 30, 1992, p. D1 (alleging Reagan had advance knowledge on Inauguration Day of release of hostages). tion Day of release of hostages).

patriate arms dealer and businessman, who claims that Casey attended several meetings in Madrid in the summer of 1980 arranged by Jamshid and his late brother, Cyrus Hashemi, to discuss the hostage situation with an important Iranian cleric,

Mehdi Karrubi; (b) October 1980 meetings in Paris: several sources have claimed that prominent Republican campaign operatives and government officials—including Vice Presidential candidate George Bush, William Casey, Donald P. Gregg, Robert Gates, Richard Allen, and Robert McFarlane—attended meetings with Iranian and Israeli representatives in hotels in Paris in October 1980 to finalize an agreement to delay the release of the hostages and to supply Iran with American-made military equipment via Israeli channels;

(c) The L'Enfant Plaza meeting: it has been alleged that three Republican campaign operatives-Richard Allen, Robert McFarlane and Laurence Silberman—met with an unidentified Iranian emissary at the L'Enfant Plaza Hotel in Washington, D.C. in the fall of 1980 for the purpose of conducting unauthorized negotiations with the Khomeini regime relating to the hos-

tages;

(d) Transshipment of military equipment by Israel to Iran in 1981: it has been alleged that Reagan Administration officials tacitly authorized covert shipments of large quantities of American-made spare parts and military equipment by Israel to Iran in return for the Iranian regime's cooperation in delaying

the release of the hostages until after the 1980 election.

The purpose of this preliminary investigation was to determine, in a thorough and expeditious manner, whether there is credible evidence to support any of these allegations, and if so, to recommend appropriate further action to the Committee. The investigation was conducted by professional, nonpartisan staff under the joint supervision of Senator Terry Sanford, chairman of the subcommittee, and Senator James Jeffords, ranking minority member, over the course of 7 months. This report presents the relevant findings of the investigation staff to date, and where appropriate, suggests further areas of inquiry that may be necessary in order to reach final conclusions on certain allegations.

### 2. Chronology of Events Leading to the Investigation

The gravity of the "October Surprise" allegations—which depict, in effect, a high-level conspiracy to advance partisan political interests at the expense of jeopardizing American lives-and the durability of the allegations after more than a decade, have led to many requests for a full congressional investigation.<sup>2</sup>

<sup>&</sup>lt;sup>2</sup>The November 1987 Report of the Congressional Committees Investigating the Iran-Contra Affair (S. Rept No. 100–216, H. Rept. No. 100–433, 100th Cong., 1st sess.), touched only briefly in a single footnote on some of the "October Surprise" allegations, primarily those related to the so-called L'Enfant Plaza meeting. In the footnote, the report stated:

There have been allegations that officials of the 1980 Reagan campaign—in order to

prevent a pre-election announcement by President Carter (an "October Surprise")—met with Iranian intermediaries and agreed to ship arms to Iran in exchange for a post-election release of hostages. Reagan campaign aides were, in fact, approached by individuals who claimed to be Iranian intermediaries about potential release of hostages, as were other campaign staffs. The Committees were told that the approaches were released by the content of the committees were told that the approaches were released by the content of the committees were told that the approaches were released. jected and have found no credible evidence to suggest that any discussions were held

In July 1983, the House Committee on Post Office and Civil Service. Subcommittee on Human Resources began an investigation of alleged unauthorized transfers of materials and information from the Carter Administration to the Reagan campaign—a scandal referred to informally as "Debategate." Rep. Don Albosta of Michigan, the subcommittee chairman, directed the investigation. The investigation focused on allegations relating to the illicit acquisition of President Carter's debate briefing papers by the Republicans. The investigation also dealt with the establishment by Reagan campaign director William J. Casey of an intelligence operation intended to monitor whether President Carter would engineer a lastminute release of the hostages held in Iran—an "October Surprise"—that would increase support for the President just before the election. The Albosta Report, issued on May 17, 1984, detailed preparations undertaken by the Reagan campaign to deal with a potential "October Surprise" including the formation of an "October Surprise Group" under Richard V. Allen, and a network of retired military officers headed by Robert Garrick tasked with monitoring possible U.S. shipments of arms to Iran in exchange for the hostages.3

On July 5, 1990, the chairman of the subcommittee on Legislation and National Security, House Committee on Government Operations, requested that the United States General Accounting Office (GAO) conduct a preliminary inquiry into allegations by Oregon businessman Richard Brenneke of high-level hostage negotiations in Paris in October 1980 involving Republican officials and Iranians. Brenneke was tried and acquitted of false statement charges relating to these allegations in May, 1990. On November 21, 1991, James F. Hinchman, GAO General Counsel, submitted a written statement to the Subcommittee on Near Eastern and South Asian Affairs, Senate Committee on Foreign Relations, summarizing the results of the GAO inquiry.4 As will be detailed later in this report, the GAO found no credible evidence to support Brenneke's

allegations.

On April 15, 1991, an op-ed article by Gary Sick, a former National Security Council staff member and the principal White House aide covering Iran during the hostage crisis, appeared in The New York Times. 5 In the article, Sick explained that in the course of researching a book about the Reagan Administration's policies towards Iran, he had uncovered evidence substantiating the "October Surprise" theory, including allegations of Madrid and Paris meetings involving William Casev.

Former President Jimmy Carter, speaking to reporters in Atlanta on April 25, 1991, called the suggestion that Reagan campaign staff members conspired to keep the hostages in Iran "almost

or agreements reached on delaying release of the hostages or arranging an early armsfor-hostages deal.

for-hostages deal.

Id. at 162, n.4.

3 See "Unauthorized Transfers of Nonpublic Information During the 1980 Presidential Election," House of Representatives Committee on Post Office and Civil Service, Subcommittee on Human Resources, 98th Cong, 2d. sess., May 17, 1984 ("Albosta Report").

4 November 21, 1991 Statement for the Record of James F. Hinchman, "Preliminary Inquiry into Alleged 1980 Negotiations to Delay Release of Iranian Hostages until after November Election," testimony before Subcommittee on Near Eastern and South Asian Affairs, Committee on Foreign Relations, United States Senate. See Exhibit 1.

5 G. Sick, "The Election Story of the Decade," The New York Times, April 15, 1991.

nauseating," but said "the evidence, I think, is so large that I think it has aroused a genuine question."6 Carter stated that "there ought to be a more thorough investigation of the allegations."7

On May 3, 1991, President Bush told reporters he was definitely not in Paris in 1980, adding, "I can only say categorically that the allegations about me are grossly untrue, factually incorrect, baldfaced lies." 8 President Bush added. "I'm talking about myself. And I categorically deny any contact with the Iranians or anything having to do with it \* \* \* It's been looked at exhaustively. But all I'm talking about—all I can speak for is my own participation or lack thereof."9

In an open letter to Congress dated June 14, 1991, eight of the

52 Americans held hostage in Iran wrote:

For the last 10 years there have been rumors, reports, and allegations of foul play in the 1980 Presidential election. The thought that any American, whether a private citizen or Government official, may have participated in delaying release of the hostages for political gain is distressing. Until recently, these allegations have been dismissed as unsubstantiated. But substantial enough information has been presented by respected and persistent investigators to warrant a thorough examination of this matter.

It is not appropriate to say there is insufficient proof—until there has been an official investigation. The question of whether there is evidence of any wrongdoing must be answered by an unbiased, bipartisan congressional investigation with full subpoena power. Unless this happens, speculation and unanswered questions will erode public confidence in our electoral system. 10

Former President Reagan, speaking to reporters while playing golf with President Bush in California on June 15, 1991, denied any involvement in an effort to delay the release of the hostages.<sup>11</sup> Reagan stated, "I did some things, actually, the other way to try and be of help in getting those hostages—I felt very sorry for them—of getting them out of there." 12 When asked whether that entailed contacts with Iran, Reagan said, "Not by me." 13 Reagan declined further comment when reporters asked whether campaign officials made such contacts on his behalf, saying that "some of those things are still classified." 14 The same day, President Bush told television reporters that he welcomed an investigation into the allegations but warned against a "billion-dollar witch hunt." 15

### 3. Legislative History

On August 5, 1991, Senate Majority Leader George J. Mitchell requested that the Committee, through the Subcommittee, under-

<sup>&</sup>lt;sup>6</sup> Reuters, "Carter Seeks Probe of Iran-Deal Claims," Washington Post, April 26, 1991, p.4.

<sup>&</sup>lt;sup>8</sup>O. Ullmann, "Hostages-for-Arms Story: Still Unproved, Still Alive," The Miami Herald, May 12, 1991, p. 19.

Notes and Comment, The New Yorker, June 17, 1991.

 <sup>&</sup>lt;sup>10</sup>See S. Rept. 102-200, 102 Congress 1st sess., Nov. 1, 1991, Enclosure C.
 <sup>11</sup>J. Yang, "Reagan Calls Hostage Plot Fiction," Washington Post, June 16, 1991.

<sup>&</sup>lt;sup>12</sup> Id. <sup>13</sup> Id. <sup>14</sup> Id.

<sup>15</sup> Id.

take a thorough and fair inquiry into these allegations. Senator Mitchell indicated that the inquiry should obtain testimony under oath of individuals involved, and should be empowered to subpoena all necessary documents and records. 16 The Committee was asked to determine whether public hearings would be warranted. The Majority Leader requested that the Committee coordinate its inquiry with any parallel investigation conducted by the House, and that it make a full report to the Senate upon completion of the investigation.

On October 16, 1991, Senators Mitchell, Sanford and Jeffords introduced Senate Resolution 198 authorizing the Committee on Foreign Relations to exercise certain investigatory powers in connection with its inquiry into the release of the United States hostages in Iran. The resolution provided for \$596,000 in funding, and authorized staff to conduct depositions and to require, by subpoena or order, the attendance of witnesses and the production of docu-

ments. 17

On October 29, 1991, the Committee voted 9-8 to approve the resolution. Senator Jeffords successfully introduced an amendment to S. Res. 198 extending the inquiry to include allegations that government officials acted to manipulate the timing of the release of the hostages. The measure was then sent to the Committee on Rules and Administration. On November 21-22, 1991, the subcommittee on Near Eastern and South Asian Affairs convened hearings on the issue of whether the Senate should proceed to investigate the circumstances surrounding the release of the hostages. The subcommittee heard testimony from witnesses including: Gary G. Sick, former National Security Council Iran specialist; former hostages Charles W. Scott and Barry Rosen; and James F. Hinchman, general counsel of the General Accounting Office. 18

On November 22, 1991, by a vote of 51-43, a motion to close debate on S. Res. 198 was rejected by the Senate when it failed to gain the necessary 60 votes. Following the defeat of the cloture motion, Senator Sanford and Senator Jeffords discussed how to proceed given that 51 Senators, in voting for cloture, had indicated their support of S. Res. 198 and a full investigation. In light of the fact that S. Res. 198 would not be passed, Senator Sanford and Senator Jeffords decided to proceed with a more limited subcommittee investigation—more limited in funding, scope and authority than that proposed in S. Res. 198—using regularly allotted funds of the subcommittee. Senator Sanford and Senator Jeffords, in formally adopting seven "guiding principles" for the investigation, determined that the investigation would be conducted in a confidential manner, and that public hearings would not be held unless and until the subcommittee determined that there was sufficient credible evidence to warrant such hearings. 19 Senator Sanford and Senator Jeffords further agreed that except for the initial press release naming the Special Counsel, there would be no public statements made about the content of the investigation until such time

<sup>&</sup>lt;sup>16</sup> August 5, 1991 letter from Senator Mitchell. See Exhibit 2.
<sup>17</sup> S. Res. 198. See Exhibit 3.
<sup>18</sup> S. Hrg. 102–463. See Exhibit 4.

<sup>&</sup>lt;sup>19</sup> Guiding Principles for the Investigation. See Exhibit 5.

as a report is prepared for release or the subcommittee had for-

mally acted upon its findings.20

On December 16, 1991, Senator Sanford and Senator Jeffords named Reid Weingarten, a Washington, D.C. attorney with extensive experience as a federal prosecutor, as Special Counsel to lead the subcommittee's investigation. Upon Congress's return from recess in late January, 1992, Senator Sanford and Senator Jeffords consulted with the Special Counsel on specific goals and procedures for the investigation, and the Special Counsel began assembling staff and resources.

On February 5, 1992, the House of Representatives passed House Resolution 258, creating a "Task Force of Members of the Foreign Affairs Committee to Investigate Certain Allegations Concerning the Holding of American Hostages in Iran" ("House Task Force"). The House Task Force, unlike this investigation, is divided into majority and minority staff. This investigation has endeavored to coordinate, whenever possible, its actions with those of the House Task Force in order to avoid duplication of effort and to minimize inconvenience to witnesses and government agencies subject to overlapping congressional document requests.

# CHAPTER II.—INVESTIGATIVE PROCEDURE

### 1. JURISDICTION

The Committee has substantive jurisdiction over the matters in this investigation in accordance with Foreign Relations Rule 1(a)(15), relating to the protection of United States citizens abroad, and Foreign Relations Rule 1(a)(16), pertaining to relations of the United States with foreign nations generally. The Committee also has general oversight jurisdiction pursuant to Foreign Relations Rule 1(b). The subcommittee's proceedings in this investigation are governed by the rules of the full Committee.

### 2. Investigation Guidelines

The conduct of this investigation has been governed by the following Guiding Principles as adopted by Senator Sanford and Senator Jeffords in October 1991:

(a) Focus: The focus of the investigation will be upon any action taken prior to the 1980 elections by private citizens or Government officials to manipulate the timing of the release of the hostages.

(b) Investigation: The investigation will be conducted professionally and without fanfare. Public hearings or public discussions will not be conducted unless and until the subcommittee determines there is sufficient credible evidence to warrant same.

(c) Non-Partisan: We have agreed that all matters will be decided by the chairman and the ranking minority member. The special counsel has been selected in this manner as will be the rest of the staff.

(d) Staff: All staff who are engaged in the investigation will be under the direct supervision of the chairman and the rank-

ing minority member.

(e) Confidentiality: All travel or evidence (including, but not limited to, persons, places or documents) will be available only on a "need to know" basis as determined by the chairman and the ranking minority member of the subcommittee. In addition, the chairman and the ranking minority member of the subcommittee will periodically provide the chairman and the ranking minority member of the full committee a general description of the avenues of inquiry, the progress of the investigation and the types of individuals being investigated.

(f) Press: We will issue an initial press release to name the special counsel, thereafter there will be no public statements made about the content of the investigation until such time as

the subcommittee has formally acted upon its findings.

(g) House of Representatives: We will cooperate with the House Task Force to reduce time and expenditures, but will not compromise the need for confidentiality, security or non-partisanship.

### 3. PERSONNEL

Senator Sanford and Senator Jeffords appointed Reid H. Weingarten as Special Counsel for the investigation. Mr. Weingarten is a partner with the law firm of Steptoe & Johnson in Washington. Mr. Weingarten was formerly a trial attorney with the Department of Justice, Public Integrity Section and served as Associate Independent Counsel in the Iran-Contra affair and lead counsel in the prosecution of Major General Richard V. Secord. Mr. Weingarten is presently Chairman of the White Collar Crime Committee of the American Bar Association's Criminal Justice Section. He is a also professor of Professional Ethics and Public Corruption at Georgetown University Law School. Mr. Weingarten is a graduate of Cornell University and Dickinson Law School.

The Special Counsel appointed one full-time attorney, Evan T. Barr, to assist in the investigation. Mr. Barr is a graduate of Harvard College and Harvard Law School. Mr. Barr served as a law clerk in 1989-90 for U.S. District Judge Edmund Ludwig, Eastern District of Pennsylvania. Mr. Barr was an associate at the law firm of Steptoe & Johnson in Washington from October 1990 to March 1992, practicing in the areas of white collar criminal defense and

general litigation.

Carmen Ortiz, currently Director of Training for the District Attorney, Middlesex County, Massachusetts, assisted the investigation as a part-time counsel. Ms. Ortiz is a graduate of George Washington University and has worked with the Harvard Law School Center for Criminal Justice as a Training Coordinator and

Program Associate.

Three General Accounting Office (GAO) employees—Randy Stone (assigned to GAO's Office of Special Investigations), Stephen G. DeSart and Jaime L. Dominguez—were detailed to the subcommittee for this investigation for an initial period of 120 days, which was later extended by 30 days. On April 30, 1992 Senator Sanford and Senator Jeffords also requested that Cecilia Porter, an agent in GAO's Office of Special Investigations, with previous experience on the "October Surprise" matter, be detailed to the subcommittee for 90 days; GAO denied this request.

Lisa Mallory served the investigation as office manager and legal assistant. Peter M. Cohen served as an assistant to the investiga-

tion.21

Various government agencies declined to cooperate with the investigation in providing personnel. On March 3, 1992, Senator Sanford and Senator Jeffords formally requested Tamara Faulkner, an employee of the Inspector General's Office at the State Department, and Thomas Cusick, an IRS agent with the Financial Crimes Enforcement Network, for temporary assignment of 120 days for the subcommittee's investigation. On March 19, 1992, the State De-

<sup>&</sup>lt;sup>21</sup> Mr. Cohen served from late August to mid-October, 1992.

partment IG refused to detail Ms. Faulkner to the subcommittee. On June 4, 1992, the IRS declined to provide Mr. Cusick.

### 4. BUDGET

The following expenses were incurred by the Committee for the investigation through October 15, 1992:

Salaries	\$62,394.38
Travel	
Witness/Rptr tra	
Hearings	
Telecommunications	
Miscellaneous	24.87
Stationery	167.50
TOTAL	<sup>22</sup> \$75,429,16

### 5. OFFICE SPACE AND EQUIPMENT

The investigation's office equipment and furniture, including facsimile, word processing terminals, and photocopying machine were provided on loan from the Committee. Office space in the Senate Hart Building was provided by the Rules Committee at no cost to the investigation. All classified materials received from government agencies were stored at the Senate Security Office in the Capitol. Documents deemed "Committee Sensitive," such as transcripts of Subcommittee depositions, were placed in a safe in the investigation's office which met the specifications provided by Senate Security.

# 6. Travel Requests

On May 14, 1992, Senator Sanford and Senator Jeffords requested the Chairman and Ranking Minority Member of the Committee to authorize foreign travel to Europe by the Special Counsel and a member of his staff, pursuant to Committee Rule 11(a). Specifically, the Special Counsel sought an interview with Abolhassan Bani-Sadr, the former President of Iran, who claims to possess Islamic Revolutionary Party documents evidencing an agreement to delay the release of the hostages, and other witnesses located primarily in England and France. On May 22, 1992, Senator Jesse Helms, Ranking Minority Member of the Committee, served notice to Chairman Pell that he would not authorize any such foreign travel in accordance with Committee Rule 11.<sup>23</sup>

In light of the Ranking Minority Member's opposition to foreign travel, the Special Counsel and his staff were unable to gather evidence from a variety of important sources located abroad, including, but not limited to, Iranian expatriates involved in hostage negotiations and arms transactions in 1980 now living in Europe, as well as international arms dealers, public officials and intelligence operatives located in Israel.

<sup>&</sup>lt;sup>22</sup>Telecommunications expenses are based on billings through August 31, 1992. The cost of publication and dissemination of this report is not included.

<sup>23</sup>See Exhibit 6.

The Special Counsel and his staff traveled on several occasions within the United States to interview witnesses and review documents. All domestic travel was authorized by the Staff Director of the Committee.

### 7 WITNESS INTERVIEWS

The Special Counsel and his staff conducted over 150 interviews during the course of the investigation. From the outset, the investigation was hindered by the unavailability of certain key witnesses. Cyrus Hashemi, William Casey, John Shaheen, Houshang Lavi. Mohammed Beheshti and Sadegh Ghotbzadeh, among other important witnesses connected to these allegations, are deceased. Moreover, as noted above, the Special Counsel was denied authority to travel abroad, thereby precluding the possibility of interviewing Iranian exiles in Europe, Israeli public officials and intelligence operatives, international arms dealers, and prominent Iranian political figures, such as Hashemi Rafsanjani or Mehdi Karrubi, who may have knowledge relating to the allegations at issue.

Interviews were generally conducted by at least two members of the staff. The majority of witnesses readily cooperated with the investigation. Members of the House Task Force participated in

many of these interviews.

Senator Sanford and Senator Jeffords posed written questions requiring sworn responses to Donald P. Gregg, the United States Ambassador to the Republic of Korea, and to former President Ronald Reagan, on June 23, 1992 and July 22, 1992, respectively.24 Both Ambassador Gregg and President Reagan had declined to be interviewed by the investigation. Ambassador Gregg provided his sworn responses on June 26, 1992. On August 26, 1992, President Reagan's attorney, John A. Mintz, provided the following response: "Dear Senator Sanford and Senator Jeffords: Your July 22, 1992 letter submitted 10 numbered questions which have been discussed with former President Ronald Reagan. He has advised that he has no recollection or other information relevant to the issues raised in any of your questions." 26

#### 8. Subpoena Power

The investigation did not have independent subpoena authority, as it would have pursuant to S. Res. 198. As a result, in order to compel the attendance of witnesses or the production of documents. the investigation was required to obtain subpoena authorization by majority vote of the full Committee, with each subpoena to be issued under the signature of the Chairman of the Committee.

Accordingly, the investigation prepared a memorandum that was circulated to all members of the Committee on May 18, 1992, in which 47 witnesses and 15 entities believed to have relevant information were listed and identified as potentially requiring sub-poena.<sup>27</sup> Pursuant to the provisions of Committee Rules 5 and 7, the memo included a proxy by which each senator on the Commit-

<sup>&</sup>lt;sup>24</sup> See Exhibits 7 and 8. <sup>25</sup> See Exhibit 9.

<sup>&</sup>lt;sup>26</sup> See Exhibit 10.

<sup>&</sup>lt;sup>27</sup> To supplement this list, the investigation would have been required to go back to the full Committee for additional subpoena authorization.

tee could indicate his or her vote on whether to authorize issuance of subpoenas to individuals or organizations on the list. A majority vote by proxy was obtained on May 21, 1992.

Ultimately, 18 subpoenas were signed and issued by the Chairman upon request of the investigation, in connection with the con-

duct of closed depositions, as described more fully below.

# 9. REQUESTS TO GOVERNMENTAL ENTITIES

The investigation sought documents and testimony relating to the "October Surprise" allegations from a number of federal government entities. Due to budget and staffing constraints, the investigation was forced to rely almost entirely on the federal entities themselves to conduct the initial review of documents in order to locate relevant materials. As a general matter, the executive branch departments did not respond to these document requests promptly, and in several cases, the investigation was forced to make repeated written and oral follow-up requests. By mid-summer, however, with the exception of certain entities noted below, the investigation had received and/or reviewed the majority of requested materials.

# a. Federal Bureau of Investigation

The FBI's Congressional Affairs Office and the FBI October Surprise Task Force headed by Agents Terry O'Connor and John Hartingh are to be commended for their extraordinary cooperation and assistance in this investigation. Pursuant to congressional request, the FBI accepted the task of reviewing surveillance records relating to the activities of Cyrus Hashemi—a process requiring several thousand hours of work. The FBI then provided unimpeded access for appropriately cleared staff to these materials, and offered its own compilations and analysis of the data. In addition, the investigation has relied on the FBI to review and report on other potentially relevant Foreign Intelligence Surveillance Act (FISA) tapes made during the hostage crisis.<sup>28</sup>

# b. Department of the Treasury

The investigation requested access to United States Secret Service records and logs relating to the protection of George Bush during the 1980-81 Vice-Presidential campaign and following the November election until Mr. Bush's inauguration, as well as testimony of detail leaders, shift leaders and agents assigned to the Bush protection detail.

In early May 1992, the Secret Service produced shift reports for the period of September 15 through November 4, 1980, redacted to exclude information on shift leaders and agents, shift duty hours, and protective assignments. Further Secret Service records were provided, in redacted form, on a rolling basis throughout May and June 1992. The Special Counsel was able to view certain records from October 1980 in unredacted form on a read-only basis pursuant to a non-disclosure agreement.

<sup>&</sup>lt;sup>28</sup> On two occasions the location and handling of FISA materials relevant to this investigation could not be completely accounted for by the FBI. In each case, however, the FBI conducted a thorough internal investigation, the results of which were reported promptly to the Special Counsel. See Chapter V, section 5.

While the Secret Service ultimately agreed to produce detail leaders and shift leaders assigned to protect Bush in October 1980, the investigation was denied access to the individual agents as-

signed to the detail.

The investigation also sought U.S. Customs Service records relating to foreign travel by U.S. citizens involved in these allegations, but was informed that such materials would no longer be available given the passage of time.

# c. Department of Justice

The investigation requested access to Department of Justice records relating to the prosecution of Richard Brenneke for perjury. Seventy-two files were produced to the investigation on a rolling basis between April 24, 1992 and July 23, 1992. In addition, the Department of Justice made Thomas O'Rourke, the Assistant U.S. Attorney who handled the Brenneke case, available for an interview in Washington. The investigation also sought relevant Immigration and Naturalization Service records, but was informed that such materials would no longer be available given the passage of time

# d. Office of the Independent Counsel-Iran/Contra

On February 27, 1992, the investigation requested access to information within the Office of Independent Counsel (OIC) relating to the hostage crisis generally. On June 4, 1992, OIC provided 74 documents identified as responsive by OIC.

# e. National Security Agency

The National Security Agency (NSA) cooperated with the investigation by providing U.S. intelligence reports relating to the Iran hostage crisis. In conducting a computer search of all available information in its files, NSA found over 1,000 documents potentially relevant to the investigation. Appropriately cleared staff were afforded access to these documents, but budget and time constraints prevented a thorough review of the materials.

# f. Central Intelligence Agency

The CIA provided access to appropriately cleared staff to numerous files relating to the Iranian hostage crisis. The CIA also made available former employees, including Iran branch chiefs and Near East division chiefs and chiefs-of-station in relevant countries abroad in 1980-81.

# g. Department of Defense

The investigation requested access to Department of Defense records, including Defense Intelligence Agency records, relating to the transshipment of American-made military equipment or spare parts from Israel or other third countries to Iran from 1980 to 1982. Due to budget and staff constraints, the investigation relied on the DOD Office of General Counsel to search for responsive documents. The results of this search were provided in index form to the investigation; actual DOD documents were not made available until mid-September 1992, shortly before the conclusion of the investigation.

# h. Department of State

The Department of State provided over 2,500 documents, including internal memoranda and sensitive reporting cables, relevant to the Carter Administration's handling of the hostage crisis and to the allegations at issue. The Department of State also made available for interview a current employee of the Executive Secretariat who served on the Israel desk in 1980.

# i. Senate Intelligence Committee

Senator Nunn provided the investigation with certain documents obtained from CIA and other U.S. intelligence entities in the course of the Gates confirmation hearings relating to the "October Surprise" allegations.

# j. Albosta Report

The investigation obtained a complete copy of the 1984 Albosta Report with supporting documentation, and consulted with the Special Counsel of the Albosta inquiry, James Hamilton.

# 10. REQUESTS TO PRIVATE AND QUASI-GOVERNMENTAL ENTITIES

# a. Casey documents

The investigation was impeded in its efforts to obtain certain personal and business records of William Casey believed to be in the custody of the Casey family. These records—including loose calendar pages, a 1980 Standard Diary, and a passport belonging to Casey—were of critical importance in investigating Casey's whereabouts in 1980 and the "October Surprise" allegations in general.

William Casey's daughter, Bernadette Casey Smith, and her husband Owen Smith met with the Special Counsel on March 27, 1992 to discuss the "October Surprise" investigation and, more particularly, her knowledge of any of her father's records that might be relevant to the inquiry. At that time, Mrs. Smith offered to provide access to documents stored at a Casey house in McLean, Virginia. Despite repeated attempts to arrange for a review of these materials, congressional investigative staff were not afforded access until August 12, 1992, by which time the Senate investigation was already winding down.

The investigation has traced the history of the McLean Casey documents based on information obtained from FBI October Sur-

prise Task Force and House Task Force investigators.

When William Casey became Director of the Central Intelligence Agency in 1981, his personal and campaign files were collected at an office in the Old Executive Office Building (OEOB). Casey's secretary, Doris Gibbons, went through these files and prepared an index.

In 1983, the FBI reviewed the OEOB materials in connection with its inquiry into "Unauthorized Transfers of Nonpublic Information During the 1980 Presidential Election." Ms. Gibbons informed the FBI that all of Mr. Casey's personal and campaign files were stored at the OEOB office; additional indexed files from the New York law firm of Rogers & Wells where Casey had been a partner were received by Gibbons at OEOB in August 1983. Ms. Gibbons provided the FBI with her two typewritten inventories of

the OEOB materials. Included among the materials on the inventories were: (1) a file labelled "Hostages"; (2) a "Standard Diary—1980"; (3) a "Monthly Minder—1980"; and (4) loose calendar pages for "24 Jul 1980–18 Dec 1980." The FBI reviewed the Gibbons index, and did not remove any of the documents. According to a notation made by Ms. Gibbons, Mr. Casey had removed some papers from the "Hostages" file on February 27, 1984.

Upon Mr. Casey's death in 1987, the OEOB files were shipped to the CIA and indexed again by Barbara Murphy. The Murphy index included the "Hostages" file, the Standard Diary—1980, the Monthly Minder—1980, and the loose calendar pages for July 24, 1980 to December 18, 1980. Following this indexation, the docu-

ments were shipped to the Casev house in McLean.

According to House Task Force investigator Richard Pedersen, who reviewed the McLean documents on August 12, 1992 under Mrs. Smith's supervision, the "Hostages" file, the Standard Diary—1980, the Monthly Minder—1980, and the loose calendar pages for July 24, 1980 to December 18, 1980, were missing. All other files and materials included on the Gibbons and Murphy inventories were accounted for.<sup>29</sup>

On August 14, 1992 Mrs. Smith informed Agent Pedersen that the "Hostages" file had been located at the home of Sophia Casey in Roslyn Harbor, N.Y. Copies of all the loose pages Mrs. Smith said were found in the "Hostages" file were sent by overnight mail to Pedersen.

On August 24, 1980, House Task Force investigators conducted a review of Casey documents stored at the Roslyn Harbor, N.Y. home. During the review, two boxes of documents from the CIA were identified. The boxes were found to contain materials collected after Mr. Casey's death in 1987 that were sent directly to his widow at her Roslyn Harbor home. The CIA boxes were accompanied by a detailed index, done in much the same format as the OEOB files catalogued by Gibbons. The CIA boxes contained strictly personal materials. The index for these boxes indicates there was a file labelled "passport." The "passport" file was missing; all other files listed on the index were located.

Ms. Barbara Hayward, William Casey's personal assistant during the 1980 campaign, was deposed in the course of this investigation on July 28, 1992. Ms. Hayward testified that in "March or April" Mrs. Sophia Casey asked her to go through the McLean materials to "see if there were any of his diaries there." <sup>30</sup> Ms. Hayward testified she found one diary from 1979 and 1980, but found nothing of interest in the diary and thus left it in the McLean house. In a interview subsequent to her deposition, Ms. Hayward clarified that she reviewed the McLean documents, including a "Standard Diary"

<sup>&</sup>lt;sup>29</sup> According to Agent Pedersen, Mrs. Smith stated that she had reviewed all of the Casey materials in McLean and had found nothing of importance to the "October Surprise" inquiry. In September 1991, Mrs. Sophia Casey (William Casey's widow) provided the Senate Intelligence Committee and Senators Sanford and Jeffords with copies of memos and letters written by William Casey and other Republican officials during the transition period in the winter of 1980, which Mrs. Casey claimed disproved the possibility of an "October Surprise" deal to delay the release of the hostages. These materials were apparently located in CIA files. Interview of Bernadette Casey Smith, September 8, 1992.

<sup>30</sup> Deposition of Barbara Hayward, July 28, 1992, at 21.

for 1980, on May 20, 1991, accompanied by an attorney, Mike Farrell 31

By letter of August 24, 1992, the Special Counsel requested that Mrs. Smith appear in Washington to discuss her knowledge of the

handling of the Casey documents.

On September 8, 1992, Mrs. Smith and Mr. Smith produced the "Standard Diary—1980," the Monthly Minder—1980, and the loose calendar pages for July 24, 1980 to December 18, 1980 to the Special Counsel in Washington. The Smiths stated that they had located these materials in the McLean house the prior evening.<sup>32</sup> The following dates were missing and unaccounted for from the loose calendar pages: July 26–27, October 21, October 29, November 3–11, and November 13. The Smiths said they had not found the missing passport.

### b. Shaheen Documents

The investigation sought the personal and business files of John Shaheen, a New York businessman and close friend of William Casey who had extensive contact with Cyrus Hashemi in 1980. John Shaheen died in 1985. Shaheen's son, Bradford, provided access to his father's records stored in the basement of the Shaheen summer home in Southampton, N.Y. Senate investigators reviewed numerous boxes of these materials and were permitted to copy business appointment books from 1979–82 maintained by Shaheen's secretary, a telephone Rolodex index, and other items. Shaheen's Economist Pocket Diary for 1980, his passport, and certain financial ledger pages from 1980 were missing; Shaheen's Pocket Diaries for other years just before and after 1980 were located.

# c. Reagan Presidential Library

The investigation sought access to all 1980 campaign records, including diaries, schedules, expense reports, and other documents relating to 1980 Republican presidential campaign activities that are now stored at the Reagan Library. Despite repeated attempts to expedite this requests, the Reagan Library delayed access to congressional investigators until late August 1992, by which time this investigation's GAC staff had already been reassigned.

# d. Palestine Liberation Organization

In a 1988 interview, Bassam Abu Sharif, chief spokesman for Yasir Arafat, alleged that the Reagan campaign contacted the PLO in 1980 to request the PLO to use its influence with Iran to delay the release of the hostages until after the election; in return, the PLO would be granted recognition as the legitimate representative of the Palestinian people when Reagan took office.<sup>33</sup> Sharif said the Reagan campaign approach was rejected and that the PLO contin-

12, 1992.

33 A. Hoffman, J. Silvers, "An Election Held Hostage," Playboy, October 1988; G. Sick, October Surprise, p. 74.

<sup>&</sup>lt;sup>31</sup>Interview of Barbara Hayward, August 24, 1992. <sup>32</sup>Agent Pedersen found the Smiths' account concerning the location of the materials "incredible" in light of the search he and other House Task Force investigators conducted on August 12, 1992.

ued to work for the early release of the hostages.<sup>34</sup> Sharif claimed to have documents to prove the contacts occurred and said the PLO would use them if the allegations were denied.<sup>35</sup>

The investigation requested the assistance of an intermediary to contact Abu Sharif in Tunis. On May 13, 1992 the intermediary informed Abu Sharif of the investigation's interest in obtaining evidence relating to the "October Surprise" allegations. Abu Sharif said he was not authorized by PLO Chairman Arafat to speak about the issue, but invited the intermediary to contact Arafat directly by telephone. On May 20, 1992, the intermediary reported to the investigation that Arafat had not returned his calls and assumed Arafat had no interest in discussing the issue.

### 11. MISCELLANEOUS DOCUMENTS AND INFORMATION

The investigation requested access to credit card company records, hotel room records, and telephone toll records, but was unable to obtain relevant materials because, the investigation was informed, these documents are not retained beyond 7-10 years.

The investigation was approached by a variety of individuals claiming to have knowledge or information relating to the "October Surprise" allegations. If the information had any potential value, it was received and the individual was interviewed by the staff. In some instances, the individuals alleged that they had "tapes" of actual "October Surprise" meetings.

### a. Gunther Karl Russbacher

On June 29, 1992, the investigation was contacted by an attorney acting on behalf of Gunther Karl Russbacher, an inmate in the Missouri State prison in Jefferson City, Mo. Russbacher claimed to have piloted a BAC-111 supersonic aircraft carrying then Vice-Presidential candidate George Bush, Donald Gregg, Robert Gates, Richard Allen, Robert McFarlane, and various Republican and Democratic members of Congress on a flight from Washington to Paris on the night of October 18, 1980. The investigation received several hundred pages of documents from Russbacher. Russbacher, through counsel, on several occasions promised to deliver a videotape recording of the alleged October 18, 1980 flight. No videotape was ever produced to the investigation.

### b. Reiner Jacobi

A Seattle attorney representing Reiner Jacobi, a fugitive under indictment for federal arms trafficking violations in Florida, contacted the investigation. Jacobi claimed to have met with William Casey in London in the summer of 1980 concerning the hostages. Jacobi's attorney offered to provide tapes relating to these allegations, but only in exchange for immunity or other intervention in Jacobi's criminal case in Florida. The Special Counsel had no authority to negotiate such an arrangement with Jacobi. The tapes were never produced.

 <sup>&</sup>lt;sup>34</sup>G. Sick, October Surprise, p. 75.
 <sup>35</sup>A. Hoffman, J. Silvers, "An Election Held Hostage."

# c. Investigative Journalists

The investigation also reviewed voluminous materials produced by a number of investigative journalists. These materials provided a useful starting point for the investigation. In particular, the investigation was benefited by former National Security Council member Gary Sick's comprehensive account of the "October Surprise" allegations published in 1991. In addition, Mr. Sick cooperated completely with the investigation. At all times, the investigation found Mr. Sick's own research to be reliable and his insights to be extremely valuable.

### 12. CLOSED HEARINGS

The subcommittee convened in closed session in the Senate's secure facility in the Capitol on June 24-25, June 30, July 1, and July 28, 1992 to receive sworn testimony relating to the investigation. These sessions were closed in accordance with Foreign Relations Committee Rule 3(f)(1) on the grounds that the testimony might disclose matters necessary to be kept secret in the interests of the confidential conduct of the foreign relations of the United States. The depositions were conducted by the Special Counsel and his staff.

All members of the subcommittee were allowed to attend the testimony, although in the interest of expediting the proceedings, only Senators Sanford, Jeffords, Pell and Lugar were permitted to pose questions. Senate staff attendance was limited to staff of these principal members. Majority and Minority House Task Force counsels and investigators were also permitted to attend the depositions. Transcripts of the proceedings were graded "Committee Sensitive" and are currently on reserve with the committee. The following is a schedule of those deposed:

June 17: Harold Saunders

June 24: Warren Christopher; Richard Allen; Ari Ben-

Menashe; Jamshid Hashemi; Ahmad Madani.
June 25: Continuation of Ari Ben-Menashe; FBI October Surprise Task Force (John Hartingh, Terry O'Connor); J. Stanley Pottinger; Mahmood Moini; Mitchell Rogovin; Charles Cogan.

June 30: Secret Service (Leonard Tanis, Wallace Keefe, Benny Crosbie; National Security Agency (classified report on

document search); Samuel Lewis; Mansour Farhang.

July 1: Alexander M. Haig, Jr.; Nicholas A. Veliotis; Robert C. McFarlane.

July 28: Laurence Silberman; Earl Brian; Barbara Hayward.

### 13. Preparation of Report

Following completion of the closed session depositions, Senator Sanford and Senator Jeffords decided the results of this preliminary investigation should be compiled in a written report to be made available to the public. The report, drafted by Special Counsel Reid Weingarten and his assistant counsel, Evan Barr, was submitted to Senators Sanford and Jeffords for their review on September 15, 1992.



# CHAPTER III.—THE CARTER ADMINISTRATION AND THE HOSTAGE CRISIS

### 1 OVERVIEW

Former officials of the Carter Administration who were engaged in a day-to-day effort to manage the hostage crisis provide an important source of information regarding the circumstances surrounding the hostages' release. The Administration's conduct has been analyzed in detail by historians and by former Administration officials; 36 such an analysis is not intended here, and only a short summary is provided below as an introduction to the subject mat-

Rather, this investigation has focused on gathering evidence concerning Administration officials' view of the course of events at watershed moments in the crisis; the impact of the Administration's actions, if any, on the actual timing of the release of the hostages, and any partisan political motivations behind Administration officials' actions in the crisis.37

In this regard, the Administration's role will be addressed as it pertains to five specific issues: (1) why did Iran lose interest in seeking American-made military equipment from the United States in September 1980? (2) was the Carter Administration willing to exchange arms for hostages? (3) did the Administration "play politics" with the hostage situation? (4) why did seemingly promising negotiations collapse at the end of October 1980, and (5) what factors may account for the hostages being released on January 20, 1981?

#### 2. Brief Chronology

On November 4, 1979, Iranian students seized the United States Embassy in Teheran, demanding that the exiled Shah be extradited from the United States to Iran. The Carter Administration lacked significant contacts with the Islamic clerical faction in Iran. having focused instead on developing ties with the secularist government of Mehdi Bazargan. 38 Shortly after the storming of the

intermediaries is dealt with in detail in other parts of this report.

<sup>&</sup>lt;sup>36</sup> See, e.g., W. Christopher, H. Saunders, et al, American Hostages in Iran: The Conduct of A Crisis (New Haven: Yale Univ. Press, 1985); P. Salinger, America Held Hostage: the Secret Negotiations (Garden City, N.Y. Doubleday, 1981); G. Sick, All Fall Down: America's Tragic Encounter with Iran (N.Y.: Penguin, 1985); H. Jordan, Crisis: The Last Year of the Carter Presidency (N.Y.: G.P. Putnam, 1982); C. Vance, Hard Choices (N.Y.: Simon & Schuster, 1983).

<sup>37</sup> The Administration's relationship with Cyrus and Jamshid Hashemi and other Iranian intermediaries is dealt with in detail in other parts of this propert.

Embassy, however, the Bazargan government resigned, leaving the Administration without any immediate diplomatic recourse. 39

The State Department established an "Iran Working Group" to handle the daily work of monitoring the crisis, headed by Assistant Secretary of State for Near Eastern and South Asian Affairs Harold H. Saunders. 40 The Administration settled into a policy of courting every channel outside the normal diplomatic apparatus. According to Saunders, "our principle was generally we would leave no stone unturned. If somebody showed up who seemed to have a relationship or connections or a communications channel that might produce information that could be useful to us, we rejected nothing out of hand."41

In mid-November, Iran's acting foreign minister, Abolhassan Bani-Sadr, proposed the creation of an international commission of inquiry, under the auspices of the United Nations Security Council. to investigate Iranian grievances against the U.S. and to provide a basis for returning the Shah's assets to Iran.<sup>42</sup> On November 28. 1979, Bani-Sadr, who had openly favored the release of the hostages, was replaced by Sadegh Ghotbzadeh. On January 6, 1980, U.N. Secretary General Kurt Waldheim formally requested the Security Council to form the commission. In response, President Carter announced that the U.S. intended to seek the imposition of economic sanctions on Iran by the Security Council.<sup>43</sup> On January 13, the Security Council rejected the sanctions.44

Negotiations over the formation of a commission progressed slowly. Following Bani-Sadr's election as president of Iran on January 25, 1980, the Administration entered into a series of private talks with two French attorneys, Christian Bourguet and Hector Villalon, who were closely associated with Ghotbzadeh.45 White House Chief of Staff Hamilton Jordan and Saunders met secretly with the two French lawyers in Europe seeking agreement on the

terms for convening the commission.46

The U.N.-sponsored commission was finally constituted and arrived in Teheran on February 23, 1980 to hear grievances relating to the Shah's reign. The day the commission arrived, Khomeini announced that "the representatives of the people" (the Majles or Iranian parliament) would decide on the release of the hostages.<sup>47</sup> Majles elections were scheduled for mid-March, but it would not be able to address the issue until mid-April. On March 10, 1980, Khomeini announced the commission would not be allowed to meet with the hostages until after it had issued its report; these condi-

<sup>&</sup>lt;sup>40</sup> Deposition of Harold Saunders, June 17, 1992, at 6. A "Small Working Group" was also formed to discuss the crisis; its members included Warren Christopher (Deputy Secretary of State), Roberts Owen, (State Department Legal Counsel), Lloyd Cutler (White House counsel). Arnold Raphel (Special Assistant to the Secretary of State) and Gary Sick (National Security Council). Interview of Roberts Owen, May 6, 1992.

<sup>41</sup> Saunders dep. at 7.

<sup>42</sup> Deposition of Mansour Farhang, June 30, 1992, at 41; H. Saunders, "Diplomacy and Pressure" in American Hostoges in Iran. p. 81

sure," in American Hostages in Iran, p. 81.

43 "The Iran Hostage Crisis: A Chronology of Daily Developments," Report prepared for House of Representatives Committee on Foreign Affairs by Congressional Research Service, 97th Cong., 1st Sess., March 1981 ("CRS Chronology"), p. 78.

41d. at 84.

<sup>&</sup>lt;sup>45</sup> Interview of Henry Precht, May 21, 1992. <sup>46</sup> H. Saunders, "Diplomacy and Pressure," in *American Hostages in Iran*, pp. 124–128. <sup>47</sup> CRS Chronology, p. 11.

tions were unacceptable to the U.S. and the commission departed

Iran the following day.48

On April 1, 1980, Bani-Sadr stated that, barring any provocation by the U.S., the Revolutionary Council had agreed to take custody of the hostages from the students. 49 Prior to the Bani-Sadr announcement. President Carter had been expected to implement further economic sanctions against Iran if the hostages were not transferred.<sup>50</sup> In response. President Carter held a press conference announcing that Bani-Sadr's statement represented a positive step, and that the U.S. would defer imposition of additional economic sanctions.<sup>51</sup> It was becoming clear to the Administration, however, that the moderate secularist elements in Iran were losing in the power struggle with Khomeini's clerical faction and could not control the hostage situation.<sup>52</sup> On April 7, 1980, President Carter broke diplomatic relations with Iran and ordered imposition of the sanctions that had been rejected by the U.N. Security Council.<sup>53</sup>

The Administration intensified planning for a military rescue. On April 11, 1980, President Carter approved military action, and instructed Secretary of State Vance that, for secrecy reasons, the State Department was not to be involved in planning the mission.<sup>54</sup> The mission began on the evening of April 24, 1980, as eight helicopters took off from an aircraft carrier headed for Iranian territory; several helicopters developed mechanical problems and the mission encountered a severe dust cloud in the Iranian desert impeding navigation. 55 The commander on the scene aborted the mission, and the President concurred. 56 During the evacuation, a helicopter collided with a refueling aircraft, killing eight U.S. troops.<sup>57</sup>

After the failed rescue mission, the State Department used private intermediaries to contact Iran. In early July 1980, for example, an American attorney, J. Stanley Pottinger, met with a relative of Khomeini in Madrid to discuss terms for resuming negotiations.<sup>58</sup> (The meeting was arranged with the State Department by Cyrus Hashemi, an Iranian businessman, and is discussed in greater detail later in this report.) In Teheran, meanwhile, the power struggle continued. The Mailes had convened at the end of May, dominated by religious parties. In September, Khomeini succeeded in forcing Bani-Sadr to accept Mohammed Ali-Rajai as Prime Min-

In early September, a breakthrough occurred: Iran indicated, through West German diplomatic channels, that it would engage in direct talks with a U.S. official to discuss the hostages. 59 The German intermediaries communicated four conditions that Khomeini set forth as the basis for talks: (1) a pledge by the U.S. of nonintervention in Iranian affairs; (2) the return of the Shah's assets

 <sup>&</sup>lt;sup>48</sup> Id., p. 123; H. Saunders, "Diplomacy and Pressure," p. 132.
 <sup>49</sup> CRS Chronology, p. 142.

<sup>&</sup>lt;sup>50</sup> Id. at 139–40.

<sup>Jo Id. at 139-40.
C. Vance, Hard Choices (N.Y.: Simon & Schuster 1983), p. 407-8.
Saunders, "Diplomacy and Pressure," p. 136.
CRS Chronology, p. 148.
Saunders, "Diplomacy and Pressure," p. 142.
Z. Brzezinski, Power and Principle: Memoirs of the National Security Adviser (N.Y.: Farrar, Straus, Giroux 1983), p. 497.
Id. at 497-98.
Id. at 499.
Saunders dep. at 13-14.</sup> 

Saunders dep. at 13–14.
 Deposition of Warren Christopher, June 24, 1992, at 7.

to Iran; (3) unfreezing of Iranian assets in the U.S.; and (4) waiver and cancellation of all U.S. claims against Iran.60 Khomeini confirmed these points in a public statement, lending credibility to the German intermediaries. 61 President Carter appointed Deputy Secretary of State Warren Christopher to lead the U.S. negotiating team.

On September 16 and 18, 1980, Christopher secretly met with Sadegh Tabatabai, a Revolutionary Council member and a marriage relative of Khomeini, outside Bonn, West Germany. 62 During the first session, Khomeini's four points were discussed and Tabatabai injected a new issue, requesting that the U.S. allow delivery of arms and spare parts previously purchased by Iran.63 Christopher informed Tabatabai that such a request would complicate the negotiations, and the topic was dropped.<sup>64</sup> The talks ended on an optimistic note and Christopher stated that in the event an agreement could be reached, about \$5 billion in unfrozen funds could be made available to Iran in short order.65

On September 22, 1980, Iraq invaded Iran. The Majles began debating the hostage issue in late September. As October began, the Administration was frustrated by the Majles' disorganized procedures.66 Christopher had expected further communications from Iran, but never heard from Tabatabai again.<sup>67</sup> On October 16. 1980, Prime Minister Rajai arrived in New York to address the U.N. Security Council regarding the Iraqi conflict. Rajai refused to meet with Christopher, but he did meet secretly with Katherine Keough, the wife of one of the hostages.<sup>68</sup> On October 22, Rajai announced that Iran was not interested in trading the hostages for

As the U.S. election neared, the Majles debate was coming to a conclusion. On October 26, 1980 the speaker of the Majles, Hashemi Rafsanjani, said that if the U.S. met Iran's conditions, the hostages would be released soon, and noted that "it makes no difference to us who comes to power in America." 70 On November 2, 1980, the Majles formally adopted the four conditions set forth by Khomeini in October, and the Iranians requested Algeria to serve as intermediary to the U.S. in negotiating the four point settlement.<sup>71</sup> That evening, President Carter addressed the nation, saying the Majles' conditions appeared to offer the basis for a resolution of the crisis; he gave no indication of when an agreement could be reached.<sup>72</sup> Two days later, Ronald Reagan was elected President.

On November 10, 1980 Christopher traveled to Algeria to conduct the final negotiations. A painstaking procedure was adopted in which the U.S. and Iran communicated via the Algerians by ex-

spare parts.69

<sup>60</sup> Christopher dep. at 9.

<sup>62</sup> R. Carswell, R. Davis, "Crasting the Financial Settlement," in American Hostages in Iran, p. 208; Christopher dep. at 11.
63 Christopher dep. at 12.

<sup>64</sup> Id.

<sup>65</sup> Id. at 15.

<sup>66</sup> Id. at 16.

<sup>67</sup> Id. at 15. 68 Id. at 17; CRS Chronology, p. 348.

<sup>&</sup>lt;sup>69</sup>CRS Chronology, p. 349-50.

<sup>&</sup>lt;sup>70</sup> Id. at 357. 71 Christopher dep. at 18. 72 CRS Chronology, p. 369.

changing formal position papers.73 The Iranian demand for the return of the Shah's assets, the legal complexities in unfreezing Iranian assets in the U.S., and the Iranian demand of renunciation of U.S. claims arising out of the embassy seizure all posed significant obstacles in mid-November and early December.74

On December 19, 1980, Iran demanded \$9.6 billion in unfrozen Iranian assets. \$4 billion to cover funds under attachment in the U.S., and an additional \$10 billion security against the Shah's assets, prior to any hostage release.75 The U.S. labeled the proposal as "unreasonable:" in response, Rafsanjani threatened to try the hostages. 76 The U.S. learned on December 24 that the hostages were now under government control.<sup>77</sup> In early January, the two sides renewed communications, via the Algerians, on the financial issues, as differences concerning the total amount of assets to be released to Iran were narrowed.<sup>78</sup>

The last major stumbling block was the insistence by U.S. banks that Iranian funds not be unfrozen until the Iranians agreed to bring current several billion dollars in loans. 79 On January 15. 1981 the Iranians broke the stalemate by suddenly agreeing to bring all credit payments to U.S. banks current, by paying off the loans entirely.80 A final agreement setting an escrow trigger amount (\$7.955 billion) in unfrozen assets was reached on January 18: once that amount had been deposited with the Algerians, the hostages were to be released.81

In the early morning hours of January 20, 1981, after some last minute technical disputes regarding the escrow agreement, the Federal Reserve transferred a total of \$7.977 billion in funds to the Bank of England, which in turn transferred the funds to the Algerian Central Bank.82 At 12:36 p.m, Washington time, shortly after Reagan took the oath of office, the first Algerian plane carrying the hostages to freedom took off from Teheran.83

### 3. ARMS AND HOSTAGES

It has been alleged that Iran lost interest in seeking Americanmade military spare parts from the Carter Administration in September 1980 because it had discovered an alternative source. namely a promise from the Republicans that the military pipeline would be re-opened if Reagan were elected.<sup>84</sup> Allegations of Reagan Administration complicity in the transshipment of American-made military equipment to Iran by Israel will be dealt with in detail in

 <sup>&</sup>lt;sup>73</sup> R. Carswell, R. Davis, "Crafting the Financial Settlement," pp. 209-210.
 <sup>74</sup> CRS Chronology at 390-91; Sick, All Fall Down, p. 385.

<sup>75</sup> P. Salinger, America Held Hostage, p. 288.

 <sup>76</sup> CRS Chronology at 411-12.
 77 Sick, All Fall Down, p. 391.
 78 P. Salinger, America Held Hostage: The Secret Negotiations, p. 290.

<sup>79</sup> Christopher dep. at 20. 80 Id.

<sup>&</sup>lt;sup>81</sup> Roberts B. Owen, "Final Negotiation and Release in Algiers," in American Hostages in Iran, p. 319-20.

p. 319-20.

\$2 Id., p. 227.

\$3 CRS Chronology (January 1-25, 1981,) p. 29.

\$4 See Sick, October Surprise, p. 100; A.H. Bani-Sadr, My Turn to Speak, pp. 29, 31; PBS—

TV Frontline, "The Election Held Hostage," April 16, 1991; A. Hoffman, J. Silvers, "An Election Held Hostage," Playboy, October 1988.

a later chapter; this section will examine the Carter Administra-

tion's experience in dealing with Iran on the arms issue.

Iran's military depended on American-made spare parts. With the fall of the Shah, the U.S. froze all shipments of military material to Iran, including several hundred million dollars worth of military equipment that had already been paid for by the Shah.85 Given the Iraqi threat, the need for the spare parts became more acute. This situation raised the obvious possibility of an arms-forhostages swap. Although the Iranians briefly raised the topic of weapons during the Christopher-Tabatabai talks, asking for delivery of the arms purchased by the Shah, it appears they never real-

ly pressed the issue again.86

Warren Christopher testified that President Carter had instructed him to avoid discussion of arms with Tabatabai if at all possible.87 The President was not completely unwilling to deal with the issue, but Christopher and Carter agreed that arms might complicate the negotiations.88 Christopher told Tabatabai that the frozen arms raised a "difficult, complicated issue for the United States," and that it would be best to stick to the four points already under consideration; Tabatabai did not press the matter.<sup>89</sup> Had Tabatabai pursued the issue vigorously, Christopher was prepared to discuss it further; Christopher said he was relieved when Tabatabai dropped the topic.90 In an interview, former President Carter indicated that he was prepared to agree to release all Iranian-owned assets—financial and military—pending the immediate release of all hostages.91

Roberts Owen, a State Department lawyer involved in the hostage negotiations, recalled that the Iranians let the arms issue drift out of the talks. 92 Owen said he was not surprised by Iran's loss of interest, because the Administration had made it very clear that an arms-for-hostages deal was politically unacceptable.93 While Owen acknowledged that the Administration considered the release of the inventoried arms as an option in the negotiations, he stated that it was only a remote possibility and "not anything that was really going to happen."94

Harold Saunders testified that the while the Administration was disposed not to ship arms to Iran, it had undertaken an accounting of the value of the inventoried equipment in preparation for the Tabatabai meeting.95 Saunders stated that had the Administration been forced to take a position, the value of the arms might have been added into the overall figure for Iranian frozen assets for use

in the negotiations.<sup>96</sup>

A full explanation for Iran's loss of interest in the American arms and spare parts remains elusive. The best source of information, of course, would be the Iranian leadership; due to budget and travel

 <sup>85</sup> Sick, "Military Options and Constraints," in American Hostages in Iran, pp. 165-66.
 86 Saunders dep. at 20; Christopher dep. at 12.

<sup>&</sup>lt;sup>87</sup>Christopher dep. at 13. 88 Id.

<sup>89</sup> Id. at 12.

<sup>&</sup>lt;sup>90</sup> Id. at 13.

<sup>&</sup>lt;sup>91</sup> Interview of President Carter, June 12, 1992. <sup>92</sup> Interview of Roberts Owen, May 6, 1992.

<sup>&</sup>lt;sup>93</sup> Id.

<sup>94</sup> Id. 95 Saunders dep. at 21.

constraints, the investigation was unable to interview Sadegh Tabatabai (who is believed to be living in Germany); Ahmed Heidari (an arms procurer for the Iranian regime now in France); Hashemi Rafsanjani; Ahmed Khomeini (the Ayatollah Khomeini's son); or others who would have been involved in the Iranian decision-making process.

Former Carter Administration officials, however, did clarify several points: (1) in the Tabatabai meetings, and in dealing with the Israelis, the Administration gave the Iranians no cause to believe there was any flexibility on the arms issue; (2) the Administration was plainly uncomfortable with an arms-for-hostages swap; and (3) in reality, the Administration most likely was willing to include the military equipment as part of the release of frozen Iranian assets.

There is no credible evidence from Administration sources that Tabatabai's behavior was attributable to Iran's having found any alternative source of arms from the Republicans. That explanation remains speculation, in the absence of testimony or other information indicating why the issue was dropped. For now, an alternative theory may be just as likely: that Iran chose instead to attempt to circumvent the U.S. arms embargo through middlemen in Europe rather than place itself in the embarrassing position of asking the United States for weapons ordered and paid for by the Shah. As Gary Sick has written:

One can imagine that there was a heated policy debate within Iranian inner circles on this issue. There was no doubt that the Iranian military was badly in need of spares in their desperate effort to halt the Iraqi advance. However, in this instance as in the case of the hostage crisis itself, revolutionary political aims triumphed over mundane pragmatism. Reopening a military relationship with "the Great Satan" ultimately proved too high a price to pay, regardless of immediate material needs. In the end, revolutionary purity was maintained, and the United States was spared an agonizing and controversial policy decision.<sup>97</sup>

### 4. PLAYING POLITICS WITH THE HOSTAGES

Some have speculated that President Carter's optimistic announcement in response to Bani-Sadr on the morning of April 1, 1980 was timed to influence the outcome of the Wisconsin Democratic presidential primary that day, in which Carter faced a strong challenge from Senator Edward Kennedy. The timing of the April 1, 1980 announcement bothered Casey particularly; Casey later observed:

I noticed in the last days of the Wisconsin primary that Teddy Kennedy was pulling up fast on Carter. That could be the beginning of a sweep of the industrial states. Then, on the Sunday before the election, Carter notified the networks that he expected good news on the hostages—they would be taken out of the embassy and moved to safer quarters. He got up at 7 o'clock on Tuesday, election day, and announced it again as

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<sup>&</sup>lt;sup>97</sup> Sick, "Military Options and Constraints," p. 167.
<sup>98</sup> See, e.g., Saunders, "Diplomacy and Pressure," p. 135.

the voters were going to the polls. And he scored a tremendous

victory in Wisconsin over Kennedy.99

The actual announcement, while optimistic, was not misleading. According to a Congressional Research Service account of President Carter's April 1, 1980 press conference, the President confirmed that Iran had been notified previously that if the hostages were not transferred from the students to the government, the U.S. was "considering additional sanctions against Iran." 100 The President said he viewed Bani-Sadr's statement earlier that day as "a positive step" toward the transfer so additional sanctions would not be appropriate at that moment.<sup>101</sup> In response to a question, the President said he had no assurances from Iran when the transfer would take place, or if it would take place. 102 The President said the economic sanctions option remained open. 103 The President avoided answering a question about his readiness to respond to Bani-Sadr's demand for promises not to provoke Iran. 104

There is no evidence to indicate that President Carter's announcement was unusual or unprecedented; to the contrary, on numerous instances in the early months of the crisis, the Administration and Bani-Sadr often exchanged public comments expressing

mutual hope for a resolution of the dispute. 105

Mansour Farhang, Iran's U.N. Ambassador during much of the hostage crisis, testified that he believed domestic political concerns affected President Carter's handling of the crisis in the early months of 1980. 106 Farhang was involved in devising the proposal for a commission of inquiry. 107 Farhang said he believed the commission had a good chance of success in December 1979 as a facesaving device that was acceptable to the Revolutionary Council and to Khomeini. 108 Farhang specifically presented the plan to Khomeini in Qom: Khomeini said if the commission were willing to condemn American intervention, he would respect its findings even if that meant releasing the hostages. 109 President Carter rejected the commission concept and instead sought economic sanctions. Farhang said he believes that President Carter rejected the commission because the hostage crisis served to rally public support for him in his upcoming New Hampshire primary battle with Senator Kennedy. 110 Farhang said he was all the more convinced that domestic politics had affected Carter's judgment given that the Ad-

<sup>99</sup> J. Persico, Casey (N.Y.: Viking, 1990), p. 192.

<sup>100</sup> Id. <sup>101</sup> Īd.

<sup>&</sup>lt;sup>102</sup> Id.

<sup>103</sup> Id.

104 CRS Chronology, p. 142.

105 See, e.g., CRS Chronology, pp. 94, 95, 101, 103-7, 109, 111 and 126. President Carter's April 1 announcement also may be understood in the context of a private exchange of messages with Bani-Sadr around that time. President Carter sent a personal message to Bani-Sadr on March 25, 1980 warning him that the U.S. would take "additional non-belligerent measures" (i.e. sanctions) unless Iran could provide "tangible evidence" by March 31, 1980 that it would move toward a resolution of the crisis. Bani-Sadr's April 1 address came over the wires to the White House early that morning Washington time. President Carter felt Bani-Sadr's speech was good news, and therefore decided it deserved a positive and immediate response by Carter personally that morning. See G. Sick, All Fall Down, pp. 321-327.

105 Deposition of Mansour Farhang, June 30, 1992, at 45.

106 Id. at 41.

108 Id. at 42.

<sup>109</sup> Id. at 42. 110 Id. at 44-45.

ministration itself revived the commission proposal later that

spring, 5 or 6 weeks after the New Hampshire primary. 111

It may be true that President Carter benefited politically from the initial reaction of the American public to the taking of the hostages. The historical record shows that, in this patriotic mood, and in the face of a primary challenge from within his party. President Carter refused to support more conciliatory gestures toward Khomeini—such as the commission of inquiry or congressional hearings on the Shah's reign-until other hardline measures such as sanctions were attempted first. At the time, President Carter chose a course of action from among several reasonable options. In the absence of further proof, President Carter's handling of the crisis in the early stages does not in any way support the conclusion that he was willing to sacrifice the well-being of the hostages for political gain.

### 5. THE TURN OF EVENTS IN OCTOBER 1980

The investigation sought evidence from Carter Administration officials regarding the abrupt collapse of U.S.-Iran negotiations in late October 1980. The September 1980 Tabatabai initiative in Germany, Prime Minister Rajai's conciliatory statements following his mid-October New York trip, and a flurry of reports from within Iran regarding progress on a solution, all contributed to optimism regarding the chances of a resolution by the end of October. On October 21, 1980, however, Rajai announced Iran would not negotiate the release of the hostages, even if the U.S. offered spare parts. 112 It has been alleged that this startling about-face was linked to a Republican deal with the Khomeini regime to delay the release of the hostages until after the election.<sup>113</sup>

Saunders noted that progress in the negotiations awaited the Majles' deliberations and approval of Ayatollah Khomeini's stated conditions for resolving the crisis, and that the Majles was agonizingly slow in acting on the issue. 114 Saunders testified that at the time, he attributed the collapse of negotiations to the distraction caused by the Iran-Iraq war. 115 Saunders recalled hearing that members of the Majles had gone to the front to observe the battle. 116 Saunders said he was not surprised by the Majles' failure to act in the face of a military crisis. 117 Saunders also recalled that

<sup>&</sup>lt;sup>111</sup> Id. at 45. In his memoirs, former South Dakota Senator James Abourezk expressed a similar view of why the Carter Administration rejected the idea of holding congressional hearings on the Shah's relationship with the United States:

the Shah's relationship with the United States:

I will forever be convinced that, at least in the early stages of the hostage crisis, Carter's polls showed him picking up support against Ted Kennedy, who had started out in his primary race ahead of Carter, and that, consequently, he did not want the hostages released—just yet. The hostage crisis had served to rally public opinion around Carter and Kennedy's lead was beginning to slip. In the rarefied atmosphere of the White House, cynicism about such matters is not the exception, it is the rule, no matter who is president.

Who is president.

J. Abourezk, Advise & Dissent (Chicago: Lawrence Hill Books, 1989), p. 249. Abourezk reiterated this view in an interview with Senate investigators on April 20, 1992.

112 CRS Chronology, p. 348.

113 See Sick, October Surprise, p. 157; A. H. Bani-Sadr, My Turn to Speak, p. 33.; B. Bradlee Jr and R. Higgins, "Did Reagan, Bush Cut a 1980 Hostage Deal?," Boston Globe, Oct. 23, 1988, p. A27; A. Hoffman, J. Silvers, "An Election Held Hostage," Playboy, October, 1988.

114 Saunders dep. at 23–24.

<sup>&</sup>lt;sup>115</sup> Id.

<sup>116</sup> Id. at 24. 117 Id. at 24-25.

the newly constituted Majles lacked experience in parliamentary

procedure 118

Roberts Owen stated that he viewed the breakdown of negotiations in October 1980 merely as part of a larger pattern of Iranian behavior exhibited throughout the hostage crisis. 119 Owen assumed the failure to follow up on Tabatabai's initiative was vet another example of the lack of leadership in Iran. 120

Christopher testified that following the Tabatabai meetings, he fully expected to hear from the Iranians again, but never did. 121 Christopher recalled that during the course of October, most hope centered on the Majles, but it was evident the Majles had difficulty coming together on the issue. 122 Christopher stated he has never been able to explain why the Tabatabai negotiations collapsed. 123

Former White House Counsel Lloyd Cutler has speculated that negotiations between the Administration and Iran collapsed because (1) the Iranians were preoccupied with the Iraq war and did not stabilize the front until after the American election and (2) Rafsaniani and his Islamic Republican Party did not consolidate their internal power until the fall of 1980; on the latter point, Cutler theorized that "a deal with the Carter Administration before then would have exposed them to domestic attack from the farright mullahs and from Abolhassan Bani-Sadr, the quixotic president who was battling them for power and who strenuously opposed the deal the Carter Administration concluded in January 1981, calling it excessively favorable to the U.S." 124

Administration officials were not well-situated to gain insight into the behavior of the Khomeini regime in October 1980. Our conclusions regarding the significance of the events in October 1980 will be detailed in a later chapter on internal Iranian politics.

### 6. THE FINAL NEGOTIATIONS

The investigation questioned Carter Administration officials concerning the course of the final negotiations during the transition period which led to the release of the hostages on January 20. 1981, and in particular the issue of whether the Iranians abruptly abandoned their earlier negotiating position in order to resolve the crisis in time to provide Ronald Reagan with an inaugural gift. 125

Warren Christopher testified that the final stumbling block in the negotiations during the November 4 to January 20 transition period involved the refusal of U.S. banks to unfreeze Iranian assets until the Iranians brought current several billion dollars in loans. 126 Christopher recalled that after lengthy talks on the subiect, the Iranians suddenly resolved the issue on January 15 by agreeing to pay off the loans in full. 127 Christopher regarded this

<sup>&</sup>lt;sup>118</sup> Id. at 25.

<sup>&</sup>lt;sup>119</sup> Interview of Roberts Owen, May 6, 1992.

<sup>&</sup>lt;sup>121</sup>Christopher dep. at 15.

<sup>&</sup>lt;sup>122</sup> Id.

<sup>123</sup> Interview of Warren Christopher, June 8, 1992.

124 L. Cutler, "The October Surprise Made Unsurprising," The New York Times, May 15, 1991, p. 27; Interview of Lloyd Cutler, May 7, 1992.

125 The transition period from November, 1980 to January, 1981 is examined further in Chap-

ter X. 126 Christopher dep. at 20.

<sup>&</sup>lt;sup>127</sup> Id.

agreement as a major concession by Iran, and an important break-

through in the final negotiations. 128

Christopher said he made a point of communicating to the Iranians, through the Algerian intermediaries, that his negotiating power would lapse on January 20.<sup>129</sup> Christopher thus tried to set a deadline of January 16, leaving time for the complex provisions for transfer of funds and final execution of the agreement.<sup>130</sup> Christopher recalled that around January 16 or 17, he was told by the Foreign Minister of Iran that "tomorrow, Mr. Christopher, we'll talk about transportation" (meaning the transportation of the hostages back to the United States) and that the topic was indeed discussed the following day.<sup>131</sup>

Lloyd Cutler stated that after the election, he tried to obtain assurances from the Reagan transition team that they would honor any agreement arrived at between the Carter Administration and Iran, but the transition team refused.<sup>132</sup> Cutler said the Carter Administration then made it clear to the Algerian intermediaries that if the Iranians did not finalize the agreement, no one could predict what Reagan would do.<sup>133</sup> Cutler recalled that sometime thereafter, the Iranians suddenly modified their position on some of the financial issues; Cutler assumed the Iranians simply wanted to get rid

of the hostages. 134

Harold Saunders testified that he believed the Iranians wanted to conclude the negotiations while the Carter Administration was still in power. Saunders noted that Iran needed the \$12 billion in U.S. frozen funds in order to fight the war with Iraq, and that as early as September 1980, the hostages no longer served any useful political purpose in the internal power struggle in Iran. Saunders said that the Carter Administration made it quite clear during the final negotiations that Iran was dealing with a known entity and that we honestly did not know what a new Reagan administration would do with regard to those frozen assets or anything else." 137

Roberts Owen did not believe the Iranians made any dramatic concessions at the end of the negotiations. Owen said it was his impression that if the Iranians could have arranged for an earlier release of the hostages, they would have done so; delays resulted from the Iranians' difficulty in coordinating their positions and maintaining consistency. Owen recalled that during the transition period, Administration officials requested that President-elect Reagan make belligerent remarks about the Iranian situation in the media so as to provoke an early release of the hostages.

<sup>&</sup>lt;sup>128</sup>Id. at 21. Former Deputy Secretary of the Treasury Robert Carswell also stated that he and other U.S. negotiators were very surprised when the Iranians agreed to repay loans to U.S. banks in mid-January 1981. Interview of Robert Carswell, May 29, 1992.

<sup>129</sup> Christopher dep. at 21.

<sup>&</sup>lt;sup>130</sup> Id. <sup>131</sup> Id. at 22.

<sup>&</sup>lt;sup>132</sup>Interview of Lloyd Cutler, May 7, 1992.

<sup>&</sup>lt;sup>133</sup> Id. <sup>134</sup> Id.

<sup>135</sup> Saunders dep. at 54.

<sup>136</sup> Id. at 52-53.

<sup>&</sup>lt;sup>137</sup> Id. at 54.

 $<sup>^{138}</sup>$  Interview of Roberts Owen, May 6, 1992.  $^{139}$  Id.

<sup>140</sup> Id.

Owen said the Administration impressed upon the Iranians the fact that if they did not reach an agreement with President Carter, they would have to start anew with Reagan.<sup>141</sup>

The investigation also sought information from Carter Administration officials regarding the timing of the release of the hostages shortly after Ronald Reagan took the oath of office at noon on Jan-

uary 20, 1981.

Admiral Bobby Ray Inman, head of the National Security Agency in the Carter Administration, recalled that on the morning of January 20, 1981, intelligence reports from sources in Teheran suggested that the motivation behind delaying the release of the hostages until just after 12:00 noon was simply to humiliate President Carter.<sup>142</sup>

Christopher recalled that around January 18, 1981, Algerian Foreign Minister Benjedid "began to assure me that yes, Mr. Christopher, we'll certainly have this done before your authority lapses, before noon on the 20th." 143 Christopher testified that subsequent to the release of the hostages, he did not inquire of Benjedid as to why the release had not occurred as Benjedid had anticipated, because Christopher was grateful for the release and did not want to embarrass Benjedid. 144 Christopher recalled learning later from Algerian sources that there was chaos at the Teheran airport on the day of the release and that it had been difficult for the Iranians to get all 52 hostages to the airport and onto the aircraft. 145 Lloyd Cutler stated that he believed a hostile crowd had impeded the hostages' trip to the airport and that the timing of the release was ultimately attributable to the ineptitude of the Iranians. 146

Saunders recalled seeing intelligence reports in November and December 1980 from various sources quoting the Iranians as saying they did not want the hostages to come out during the Carter Administration and that they were therefore going to release them "at noon on Inauguration Day." <sup>147</sup> Saunders testified that on the morning of January 20, 1981, the agreement briefly "came apart" in Algiers, but was put together again. <sup>148</sup> Saunders recalled that after the final escrow certification by the Bank of England was made, U.S. intelligence sources in Algiers were watching the plane at Teheran airport move to the end of the tarmac and "sit

there." 149 Saunders continued:

The idea to me that the plane took off whenever it did, at 12:20 or 12:25 rather than at 12:00 sharp did not strike me as saying anything much one way or the other. I was deeply grateful that they took off that day. If they had been shooting for noon and missed by 25 minutes, that was pretty good for anything happening in Iran.<sup>150</sup>

Gary Sick, a member of President Carter's National Security Council assigned to monitor the Iran crisis, has written that "[t]he

<sup>142</sup> Interview of Bobby Ray Inman, May 7, 1992.

<sup>143</sup> Christopher dep. at 23. 144 Id.

<sup>&</sup>lt;sup>145</sup> Id. at 23-24.

<sup>146</sup> Interview of Lloyd Cutler, May 7, 1992.

<sup>&</sup>lt;sup>147</sup> Saunders dep. at 38. <sup>148</sup> Id. at 39.

<sup>149</sup> Id. 150 Id. at 40.

Algerians, who were on the scene in Tehran, later insisted that the 4-hour delay on the part of the Iranians in acknowledging receipt of the escrow message—from 8:06 a.m. Washington time until 12:05 p.m., 5 minutes after President Carter's term ended—and the final departure of the hostages shortly after 12:30, was merely due to their typical inefficiency. However, to those in the Oval Office and to much of the world, it appeared to be one final humiliating gouge at 'the Great Satan.'" 151

Robert Carswell, a U.S. Treasury official involved in the final negotiations, stated that it was "clear cut" that the Iranians deliberately delayed the release of the hostages for a few hours on the morning of January 20, until after 12:00 noon, because the arrangements for the transfer of assets had been finalized for some time. 152 It was Carswell's view that the Iranians delayed the release to insult President Carter and to give some credit to the new

American president. 153

The weight of the evidence obtained from Administration officials, and from the historical record, indicates that Iran was eager to conclude an agreement with the Carter Administration during the transition period of November 1980 to January 1981. After the U.S. presidential election, the Iranians seemed to approach the Algiers negotiations with a sense of gravity and determination to resolve the crisis. Iran's willingness to make certain financial concessions, such as paying off its loans, is consistent with this mind-set. Given the investment of time and resources in the negotiations with Christopher in Algiers, this course of action made sense for all involved. Whether fear of Ronald Reagan also motivated the Iranians is unclear, and will be mentioned later in the report.

The weight of the evidence gathered from Administration officials further indicates, at a minimum, that the timing of the release of the hostages on January 20, 1981 was not mere coincidence; both Saunders and Inman verified that the Iranians attached significance to the events of that day, and to the noon hour. What remains unclear is whether the actual release, just a half-hour after Reagan took the oath of office, was also planned, or was a result of unforeseen logistical delays; Saunders' testimony raises the possibility the Iranians were aiming for 12:00 noon exactly perhaps a neutral moment for which neither Carter nor Reagan could claim credit—but somehow did not make it. Alternatively, Inman's testimony suggests the more popular view, that the postoath release was indeed deliberate, a final insult to President Carter. None of the Carter Administration officials provided any evidence that the timing of the release that day was part of an overall Republican-inspired conspiracy to delay the release of the hostages.

<sup>153</sup> Id.

<sup>151</sup> G. Sick, All Fall Down, p. 402.

<sup>&</sup>lt;sup>152</sup>Interview of Robert Carswell, May 29, 1992.



# CHAPTER IV.—MONITORING EFFORTS BY THE REAGAN CAMPAIGN

### 1. OVERVIEW

The phrase "October Surprise" was actually coined by the Reagan campaign to describe a scenario whereby President Carter would engineer a last-minute resolution of the hostage crisis in order to propel himself to an electoral victory in November. William Casey and others on the Reagan team took this prospect very seriously. The Reagan campaign mounted an extensive effort to monitor the Carter Administration's every move with regard to the hostages, in the hopes of anticipating an "October Surprise." The investigation questioned several Republican campaign operatives about the scope and intent of this intelligence-gathering effort. 155

### 2. GARRICK'S NETWORK

It has been alleged that Admiral Robert Garrick created a nationwide network to monitor movement of military equipment that might indicate an impending arms-for-hostages agreement between the Carter Administration and the Iranians. Garrick served as Director of Research and Policy Development for the Reagan campaign. Casey's biographer Joseph Persico writes that Casey told his secretary, Barbara Hayward, that "the Garrick Iran monitoring operation is top secret. It's never to be discussed except behind closed doors." <sup>156</sup> House Task Force investigators found an undated memo at the Reagan Presidential Library which indicates that Garrick obtained information about the Carter Administration's secret contacts with the Iranians in Paris and Geneva, apparently from an American law firm representing Iranian interests in the United States. <sup>157</sup>

### 3. RICHARD ALLEN

Richard Allen testified that he chaired an "October Surprise" group consisting of Reagan campaign staff that met periodically to discuss the hostage issue.<sup>158</sup> Allen said, "our business was to react to what happened as the result of a resolution, a successful resolution of the hostage crisis." <sup>159</sup> Allen testified that "we operated on the strict rule that we would not ever use classified informa-

159 Id. at 87.

<sup>154</sup> Deposition of Richard Allen, June 24, 1992, at 43; see H. Raines, "Reagan Aides Seek Way to Defeat Any Surprise," The New York Times, October 7, 1980; J. Persico, Casey, p. 192.

155 The "October Surprise" monitoring effort is also discussed in the 1984 "Albosta Report" on "Unauth Dereid Transfers of Nonpublic Information During the 1980 Presidential Election."

 <sup>156</sup> J. Persico, Casey, p. 195.
 157 Information from House Task Force.

<sup>158</sup> Allen dep. at 48.

tion." 160 Allen said he had no information that any volunteers involved with the hostage crisis or the Iranians attempted to provide the Reagan campaign with assistance during the campaign. 161

Allen stated that in August 1980, he obtained information that the Administration was contemplating a second hostage rescue mission. 162 Allen said he immediately informed National Security Advisor Zbigniew Brzezinski that he had learned of the planning for the mission. 163 In his deposition, Allen identified a note he made on October 10, 1980, "FCI—partial release of hostages for parts." 164 Allen explained that the note was taken during an "October Surprise" meeting and was quoting a rumor that Fred C. Ikle had heard relating to a parts-for-hostages exchange. 165 Allen also identified a notation he had made on October 13, 1980: "Angelo Codevilla—DIA—hostages—all back in compound, last week. Admin embargoed intelligence. Confirmed" (emphasis in original) 166

### 4. STEPHAN HALPER

Stephan Halper, a Reagan campaign staffer occasionally tasked with "October Surprise" assignments, recalled that he prepared a memorandum detailing a variety of scenarios raised by a possible hostage release. 167 Halper said the conclusion of his memo was that there was no realistic way to make contingency plans in the event of a release. 168 Halper said his view was to ignore the issue; Halper did not recall whether he received any comments on the memo. 169

### 5. Casey Memos and Letters

In September 1991, Mrs. Sophia Casey, William Casey's widow, provided the Senate Intelligence Committee and the Special Counsel with documents prepared by Mr. Casey and other Republican campaign officials relating to the hostage issue which, Mrs. Casey asserted, "surely disproves that any 'deals' was (sic) made by Bill Casey to the Iranians for the release of the hostages." 170 In a draft letter apparently written by Mr. Casey on behalf of Ronald Reagan on October 27, 1980, for example, it is noted:

I hope that Iran will see it to be in its interest to release the hostages before the election when they are likely to perceive

<sup>&</sup>lt;sup>160</sup> Id. at 85.

<sup>&</sup>lt;sup>161</sup> Id. at 87. <sup>162</sup> Id. at 79.

<sup>163</sup> Id. at 79-80.

<sup>164</sup> Id. at 82.

<sup>164</sup> Id. at 82.

165 Id. at 82-83. Ikle, a foreign policy advisor on the Reagan team, stated that numerous "itinerant Iranians" approached the Republican campaign in 1980 but were routinely "brushed off." Interview of Fred Ikle, March 31, 1992.

166 Allen dep. at 84. At the time, Codevilla was on the staff of the Senate Select Committee on Intelligence. "DIA" would appear to refer to the Defense Intelligence Agency. Allen also produced a copy of a October 15, 1980 memo he wrote to Reagan, Casey, Meese and Reagan campaign pollster Richard Wirthlin regarding information he had obtained from "an unimpeachable source who has received information directly from ABC XYZ." Allen has elsewhere explained that "ABC XYZ" refers to Secretary of State Muskie. See G. Sick, October Surprise, p. 139. The memo quotes "ABC XYZ" as saying that "the last week of October is the likely time for the hostages to be released." See Exhibit 11.

167 Interview of Stephan Halper, March 31, 1992.

<sup>168</sup> Îd. <sup>169</sup> Id.

<sup>&</sup>lt;sup>170</sup> See Sophia Casey materials collected at Exhibit 12. Mrs. Casey also apparently sent these documents to columnist William Safire and others in the press. See Safire, "The Trial of Casey," The New York Times, Sept. 19, 1991, p. A27.

that they have the maximum bargaining power. I will be ready to cooperate in this in any way I can, as indeed I already have by making it clear to the Iranians that it (sic) would not get better terms in the next administration.<sup>171</sup>

In a memorandum from Casey to Governor Reagan and Ed Meese dated November 2, 1980, and sent under Reagan/Bush Committee letterhead, Casey forwarded a legal analysis of the "costs and methods for meeting the Iranian conditions for the release of the hostages." <sup>172</sup> The memo focuses in particular on the issue of unfreezing Iranian assets in the U.S. and on the termination of American claims against Iran. In the memo, Casey states that the proposed terms set forth by the Iranians "would amount to the deferred payment of ransom of an undetermined amount which would certainly run into several billions." <sup>173</sup> Casey continued:

I therefore expect Carter to project a show of strength and protect the dignity and honor of the United States by rejecting these demands as outrageous. I believe he will be widely perceived as having engaged in a desperate last attempt to manipulate the hostages again for political benefit and to have once more bungled it. If this analysis is correct, we should say very

little and leave it that way. 174

### 6. EDWIN MEESE III

Edwin Meese III, the Reagan campaign chief-of-staff, stated that the goal of the "October Surprise Watch" group was to raise media consciousness of Carter's potential manipulation of the timing of the hostage release. Meese recalled that some "disaffected" CIA employees volunteered on their own time to monitor teletypes for the "October Surprise Watch" night shift; Meese could not identify these individuals. Meese said to his knowledge, no classified information was acquired in that operation. 177

### 7. Robert Gray

Robert Gray, director of communications for the Reagan campaign, recalled there was concern by the campaign that Carter would boost his sagging popularity by arranging a last minute release of the hostages. The Gray said he began to talk about the "October Surprise" idea as a means of minimizing the impact of an actual release. The Gray recalled that he worked with six campaign staffers at simulating and predicting Carter's responses and actions to various possible hostage scenarios.

### 8. RHETT DAWSON

Rhett Dawson, the Minority Staff Director of the Senate Armed Services Committee under Senator John Tower in 1980, recalled

<sup>&</sup>lt;sup>171</sup> Sophia Casey materials, Exhibit 12. <sup>172</sup> Id.

<sup>173</sup> Id.

<sup>174</sup> Id.

<sup>&</sup>lt;sup>175</sup> Interview of Edwin Meese III, April 8, 1992.

<sup>177</sup> T.J

<sup>178</sup> Interview of Robert K. Gray, May 14, 1992.

<sup>&</sup>lt;sup>179</sup> Id. <sup>180</sup> Id.

that Senator Tower's staff was acutely concerned during the campaign that Carter would engineer an arms-for-hostages swap. <sup>181</sup> Dawson said he was actively involved in assembling a network of defense contractors to monitor possible U.S. arms shipments that might be part of a Carter deal with the Iranians. <sup>182</sup> Dawson said one defense firm, Sperry, once alerted him that F-14 parts were being shipped. <sup>183</sup>

### 9. HERBERT COHEN

Herbert Cohen, a hostage negotiation expert from Chicago and author of a book called, You Can Negotiate Anything, stated that in the spring of 1980, he was approached by Prescott Bush (President Bush's brother) who requested that Cohen speak in public to criticize President Carter's handling of the hostage situation. 184 Cohen said he refused, and was offended by Bush's overtly partisan appeal. 185 Cohen also stated that in October 1980, he was contacted by William Casey who said he wanted to learn about hostage situations generally in order to relay the information to Ronald Reagan. 186 Cohen said he and Casey dined together in New York on October 23, 1980 and discussed the hostage crisis. 187 Cohen recalls telling Casey that he doubted rumors that the Iranians had killed some of the hostages because, as Cohen saw it, the Iranians viewed hostages as a valuable commodity. 188 Casey requested that Cohen speak in person with Reagan (then in Virginia) about the hostages, but Cohen declined to make the trip. 189 Cohen said he later drafted a report for Reagan that he mailed to Casey in which he predicted that the hostages would be released on January 20. 1981, because in Cohen's view, the Iranians were frightened by the prospect of Reagan's presidency. 190

### 10. Laurence Silberman

Laurence Silberman, a Reagan campaign foreign policy advisor, testified that "there were a lot of people in the Reagan campaign who were constantly thinking what if, what if, what if. And certainly if you know 3 days in advance that the Administration is about to make an announcement and you're a candidate against them, it's of importance. So I'm sure there were efforts to try to determine that." <sup>191</sup>

<sup>&</sup>lt;sup>181</sup> Interview of Rhett Dawson, March 17, 1992.

<sup>&</sup>lt;sup>182</sup> Id.

<sup>183</sup> Id.

<sup>&</sup>lt;sup>184</sup>Interview of Herbert Cohen, April 6, 1992. In a memo from Prescott Bush to James Baker dated September 3, 1980 reproduced in the "Albosta Report," Bush passed along Cohen's views on the hostage situation to Baker, and noted that "Herb has a couple of reliable sources on the National Security Council, about whom the administration does not know, who can keep him posted on developments." Albosta Report at 1611. See Exhibit 13.

<sup>&</sup>lt;sup>185</sup> Interview of Herbert Cohen, April 6, 1992.

<sup>&</sup>lt;sup>186</sup> Id.

<sup>&</sup>lt;sup>187</sup> Id.

<sup>&</sup>lt;sup>188</sup> Id.

<sup>&</sup>lt;sup>190</sup> Id. In Casey's "Standard Diary—1980" phone log, apparently maintained by Casey's secretaries, Cohen's name is noted on November 7, November 14, November 24, and December 1. <sup>191</sup> Deposition of Laurence Silberman, July 28, 1992, at 68.

## CHAPTER V.—THE ROLE OF THE HASHEMIS IN THE HOSTAGE CRISIS

### 1. Overview

The activities of two Iranian-born brothers, Cyrus and Jamshid Hashemi, during the hostage crisis figure prominently in the "October Surprise" allegations. Cyrus Hashemi was an international merchant, trader, banker and arms dealer who acted as an informal intermediary between the Carter Administration and revolutionary Iran. He died, suddenly and mysteriously, in 1986 in London. 192 His older brother Jamshid, often overshadowed by the more flamboyant Cyrus, has engaged in similar lines of business and is now a United States citizen. 193 Both brothers were extremely active in pre- and post-revolutionary Iranian politics. It is Jamshid Hashemi who has claimed in the years since his brother's death that the Reagan campaign director, William Casey, met with the Hashemis and with Iranian clerical leaders in Madrid in the summer of 1980.

Much of this investigation has focused on whether the Hashemis were in contact with Casey in 1980. The evidence falls into the following categories: (1) the testimony of Jamshid Hashemi; (2) extensive recorded conversations from the FBI's electronic surveillance of Cyrus Hashemi in 1980; (3) documentary evidence and testimony concerning the parallel relationships among American businessman John Shaheen, Cyrus Hashemi and Casey; (4) various second-hand accounts from a variety of sources regarding alleged Madrid meetings; (5) the testimony of individuals associated with the Carter Administration who dealt with the Hashemis in 1980; (6) U.S. intelligence data concerning the activities and reliability of the Hashemis; and (7) documentary evidence and testimony concerning the whereabouts of William Casey during the summer of 1980.

### 2. Background of the Hashemis

In pre-revolutionary Iran, the Hashemis were successful businessmen. Jamshid, a civil engineer educated in England, had his own construction business. 194 Cyrus established himself in the

tion with Cyrus' death has ever been developed.

193 Jamshid, whose full name was Mohamad Ali Balanian Hashemi, has recently changed his name to James Khan. A third brother, Reza, was also involved, on a smaller scale, in business activities with Jamshid and Cyrus, and will be mentioned in more detail herein.

194 Deposition of Jamshid Hashemi, June 24, 1992, at 105; Interview of Jamshid Hashemi,

April 7, 1992.

<sup>192</sup> Over the years since Cyrus Hashemi's death, there have been allegations that he was murdered. House Task Force investigators interviewed the London medical examiner who conducted the autopsy on Cyrus Hashemi. The medical examiner affirmed his autopsy report which attributed the cause of death to acute myeloblastic leukemia. No hard evidence of foul play in connections of the cause of death to acute myeloblastic leukemia.

1970s as an international merchant and banker with offices in New York, Paris and London, but continued to maintain extensive contacts in Iran. Cyrus opened a branch of First Gulf Bank & Trust in New York. Both men were active in the anti-Shah movement that developed in Iran in the 1970s. They became enthusiastic political supporters of Admiral Ahmad Madani, a high-ranking Western-educated naval officer and member of the National Front Party who was a prominent critic of the Shah's regime. 195

The fall of the Shah in January 1979 affected the Hashemis' business fortunes favorably, since they were well-connected to certain key revolutionary figures, including Madani, who became the first Minister of Defense and governor of the oil-rich Khuzestan

province. 196

# 3. THE MADANI CAMPAIGN, THE CIA, AND THE TAKING OF THE HOSTAGES

Later in 1979, Madani declared his candidacy for the newly-created post of president of the Islamic Republic. Madani asked Jamshid to assist in raising funds for the campaign. <sup>197</sup> In connection with the Madani campaign, significant sums of money from the Iranian Defense Ministry were placed with Cyrus Hashemi's bank in New York. <sup>198</sup>

Soon after the hostages were seized in November 1979, Joseph Troy, an American lawyer in Paris who had represented Cyrus, contacted Henry Precht at the U.S. State Department to suggest that Cyrus might be of assistance in negotiating the release of the hostages. 199 Troy's law partner in Washington, J. Stanley Pottinger, a former Justice Department official, assisted in drafting a letter from Cyrus to Warren Christopher, setting forth a proposed plan of action for getting the hostages out.200 The proposal contained three key points: the formation of a tribunal to hear grievances against the United States; recognition by the U.S. of the Iranian government's legitimacy; and a plan to unfreeze Iranian assets in the U.S.<sup>201</sup> It was Pottinger's understanding that Cyrus had volunteered to assist in the negotiations on an altruistic basis.<sup>202</sup> Cyrus represented to Pottinger that he had high-level contacts in the Khomeini government, including Mohammed Beheshti, an important clerical figure, and Hashemi Rafsanjani, who Cyrus claimed was a distant cousin. 203

The State Department expressed interest in Cyrus and a meeting was set for January 2, 1980 at the Sherry Netherlands Hotel in New York.<sup>204</sup> Mahmood Moini, a legal advisor to the Iranian embassy in Washington, accompanied Cyrus and Jamshid to the meeting.<sup>205</sup> Harold Saunders, Mark Feldman and Pottinger were also in

 <sup>&</sup>lt;sup>195</sup> Hashemi dep. at 110.
 <sup>196</sup> Id. at 109, 111; Interview of Jamshid Hashemi, April 7, 1992.

<sup>197</sup> Hashemi dep. at 114.

 <sup>198</sup> Id. at 115.
 199 Deposition of J. Stanley Pottinger, June 25, 1992, at 112-13.

<sup>&</sup>lt;sup>200</sup> Id. at 113–14. <sup>201</sup> Id. at 115.

<sup>&</sup>lt;sup>202</sup> Id.

<sup>203</sup> Id. at 116.

<sup>&</sup>lt;sup>204</sup> Deposition of Harold Saunders, June 17, 1992, at 10. <sup>205</sup> Deposition of Mahmood (Max) Moini, June 25, 1992, at 182–83.

attendance. 206 Moini stressed the need for establishing direct contact with Khomeini, and Cyrus held out the possibility of arranging a meeting with a member of Khomeini's family; the Hashemis also

emphasized the need for financial support of Madani.207

Jamshid devoted himself to assisting Madani, and with the help of Cyrus' connections, the effort paid off. In early January 1980. Jamshid had traveled from Iran to London and then to New York on a mission to recover the Defense Ministry funds from Cyrus which were badly needed for the Madani campaign.208 John Shaheen, a friend and business associate of Cyrus, helped arrange for Jamshid's visa to enter the United States.<sup>209</sup> On January 5, 1980, a second meeting was held at the Sherry Netherlands, this time involving only Jamshid, Cyrus and Charles Cogan, chief of the Near East and South Asia division of the CIA's operations directorate, who was using a cover name.<sup>210</sup> At the urging of the State Department, a decision was made by the CIA to provide \$500.000 in cash to the Hashemi brothers for a sensitive covert operation in Iran.211

The CIA's relationship with the Hashemis apparently deteriorated rapidly. Cogan stated that on January 17, 1980, he attempted to deliver the \$500,000 in cash to Jamshid and Cyrus at the Sherry Netherlands Hotel in New York.<sup>212</sup> Cogan testified that Cyrus Hashemi refused to take cash, insisting instead on a wire transfer from a Swiss bank to an account at First Gulf Bank & Trust, Cyrus' bank in London. 213 In late January, the CIA learned that the persons to whom the Hashemis were to transfer the funds had indicated their distrust of the Hashemis.214 Around this time. the CIA also identified Jamshid, who had previously used an alias, as a person on whom the CIA had accumulated extensive derogatory information, including reports that he passed bad checks, used false names, and had refused to take a polygraph test.<sup>215</sup> Cogan said the \$500,000 was later sent by wire transfer to Cyrus Hashemi's bank.<sup>216</sup>

On January 25, 1980, Bani-Sadr was elected president of Iran. In late February 1980, Cogan set about determining the disposition of the \$500,000 given to Hashemi, and concluded that only \$90,000 or \$100,000 of the funds had been used for their intended purpose in Iran.217 On February 28, 1980, Cogan met with Cyrus in Pottinger's office.<sup>218</sup> Cyrus returned approximately \$290,000 in rials by check written on an Iranian bank to Cogan, and offered to

<sup>&</sup>lt;sup>206</sup> Saunders dep. at 10; Interview of J. Stanley Pottinger, May 7, 1992. Pottinger also recalls Jamshid Hashemi being present. Moini testified that Henry Precht was one of three State Department officials at the meeting. Moini dep. at 184.

<sup>207</sup> Interview of J. Stanley Pottinger, May 7, 1992; Saunders dep. at 11–12.

<sup>208</sup> Hashemi dep. at 115 Interview of J. Stanley Pottinger, May 7, 1992; Saunders dep. at 11–12.

<sup>200</sup> Hashemi dep. at 115; Interview of Jamshid Hashemi, April 7, 1992.
209 Hashemi dep. at 115–16.
210 Interview of J. Stanley Pottinger, May 7, 1992; Deposition of Charles Cogan, June 25, 1992,

at 150-51.

211 Cogan dep. at 151; Interview of J. Stanley Pottinger, May 7, 1992; Interview of Frank Anderson (former CIA Iran branch chief), October 2, 1992. The details of this operation are classified and cannot be included in this report.

<sup>&</sup>lt;sup>212</sup>Cogan dep. at 151.

<sup>&</sup>lt;sup>213</sup> Id. at 153; Interview of J. Stanley Pottinger, May 7, 1992.

<sup>&</sup>lt;sup>214</sup> Interview of Frank Anderson, October 2, 1992.

 <sup>&</sup>lt;sup>215</sup> Cogan dep. at 154; interview of Frank Anderson, October 2, 1992.
 <sup>216</sup> Cogan dep. at 153.

<sup>&</sup>lt;sup>217</sup> Cogan dep. at 152.

<sup>&</sup>lt;sup>218</sup> Interview of J. Stanley Pottinger, May 7, 1992.

be of assistance with the hostages in the future.<sup>219</sup> Cogan reported that he and the Hashemis had no further contact.

### 4. WORKING WITH THE STATE DEPARTMENT

### a. The Passindideh Meeting

Despite the failure of the Madani initiative. Cyrus Hashemi continued to volunteer his services to the State Department as an intermediary to Iran. As early as December 1979, Hashemi had offered to arrange a face-to-face meeting between a member of the Ayatollah Khomeini's family, Reza Passindideh, and a representative of the U.S. government.<sup>220</sup> Passindideh was the son of Ayatollah Passindideh, the Ayatollah Khomeini's older brother, an important mullah in his own right.<sup>221</sup> Hashemi's connection to Passindideh had been made through Moini; Passindideh was the brother of Moini's ex-wife, and a close friend of Moini's.<sup>222</sup> At the outset, the State Department was particularly interested in Hashemi's proposal: the United States had to make contact with the religious faction around Khomeini, which held the balance of power in Iran, in order to make any headway on the hostages.<sup>223</sup>

Cyrus was unable, however, to arrange the meeting for several months. As a result of the delay, the State Department's interest in the idea waned as authorized channels of communication with the Iranian government developed.<sup>224</sup> Finally, in late June 1980, Cyrus instructed Pottinger to inform the State Department that Passindideh was prepared to meet an American representative in a European city.<sup>225</sup> Moini had persuaded Passindideh to obtain Khomeini's approval to open a dialogue with the Americans. 226 Saunders, lukewarm to Hashemi by now, declined to attend personally or to send any official U.S. representative, but allowed

Pottinger to make the trip.<sup>227</sup>

The meeting was set for July 2, 1980 in Madrid. Pottinger had no formal authority to speak for the United States, but was instructed to determine Passindideh's credibility.228 Pottinger met Hashemi in London and the two men flew to Madrid by commercial airliner on the morning of July 2.<sup>229</sup> They met Moini at the Plaza Hotel in Madrid. Moini indicated at the outset that Passindideh was nervous about meeting with a representative of the U.S. government.<sup>230</sup> Hashemi consulted with Moini privately, and managed to persuade Passindideh to meet with Pottinger.<sup>231</sup>

<sup>&</sup>lt;sup>219</sup> Cogan dep. at 153; Interview of Frank Anderson, October 2, 1992.
<sup>220</sup> Saunders dep. at 11–13; Pottinger dep. at 120.
<sup>221</sup> Pottinger dep. at 117; Moini dep. at 185.

<sup>&</sup>lt;sup>222</sup> Moini dep. at 184-85.

<sup>223</sup> Saunders dep. at 11–12. 224 Id. at 13–14.

<sup>&</sup>lt;sup>225</sup> Pottinger dep. at 120.

<sup>226</sup> Moini dep. at 186. 227 Saunders dep. at 13–14.

<sup>228</sup> Id. at 14; Pottinger dep. at 123.

229 Pottinger dep. at 123. Moini arrived in Madrid on July 1, met Passindideh at the airport and escorted him to the hotel. At the hotel, Moini received a phone call from Hashemi, who said he was on his way from Italy. Cyrus paid for Moini's flight and lodging in Madrid. Moini dep. at 192; Interview of Moini, June 12, 1992. Jamshid Hashemi testified that he chartered a printed of the Cyrus and Pottinger from London to Madrid and back again. Hashemi dep. vate airplane to take Cyrus and Pottinger from London to Madrid and back again. Hashemi dep. at 132.

230 Pottinger dep. at 123–24.

231 Id. at 124.

According to Pottinger, the meeting took place in the early afternoon at the hotel's restaurant.<sup>232</sup> Pottinger testified four men were present: Moini, Passindideh, Hashemi and Pottinger.<sup>233</sup> Pottinger asked Passindideh whether he had authority to be there; Passindideh answered affirmatively.<sup>234</sup> Passindideh indicated his concern that the Americans were trying to embarrass the Iranians by bringing him to this meeting.<sup>235</sup> Pottinger testified that the two sides agreed that if Secretary Muskie would signal his intention to send an envoy to Europe, then Bani-Sadr would do the same.<sup>236</sup>

An exchange of letters between Muskie and Bani-Sadr was proposed; Passindideh wanted the letter to address Iran's concerns about the United States' intentions toward the Shah and Iran's assets. <sup>237</sup> Pottinger suggested that Passindideh draft the contents of the letter for Bani-Sadr; Pottinger offered to draft the Muskie letter. <sup>238</sup> The meeting concluded after about 45 minutes, and Pottinger returned to London with Hashemi that evening. <sup>239</sup> He immediately debriefed Saunders by telephone, and Saunders dictated a letter that Pottinger transmitted to Moini and Passindideh, who were still in Madrid. <sup>240</sup> Pottinger and Hashemi continued to discuss the letters with Passindideh and Moini over the next several days by telephone. <sup>241</sup> Hashemi told Pottinger that the Iranians would consider a follow-up meeting in Europe involving Saunders but the meeting never came about. <sup>242</sup>

Moini's recollection of the Madrid meeting was quite different. Moini recalled that in addition to Passindideh, Pottinger and Hashemi, another man attended who was introduced to him as a State Department official.<sup>243</sup> The meeting took place in Cyrus Hashemi's hotel suite.<sup>244</sup> Moini testified that Passindideh had come with the expectation that he would be presented with a letter from the President of the United States to take back to Iran.<sup>245</sup> Instead, Hashemi dictated to Moini a message for Passindideh.<sup>246</sup> Passindideh appeared pale and nervous, and asked Moini if that was all he was to receive; the conversation broke down and the two sides separated after a handshake.<sup>247</sup> Moini testified that following the meeting, which had lasted about an hour, there was no expectation of any further discussions between Pottinger and Passindideh.<sup>248</sup>

The meeting had failed to produce a breakthrough on the hostage issue for the State Department. But in arranging the Passindideh meeting, Hashemi demonstrated his value as an informal

<sup>232</sup> Id.
233 Pottinger dep. at 124; Saunders dep. at 16.
234 Pottinger dep. at 125.
235 Id. at 126.
236 Id.
237 Pottinger dep. at 127; Saunders dep. at 15.
238 Pottinger dep. at 127.
239 Id. at 130.
240 Id. at 130—31; Saunders dep. at 15.
241 Pottinger dep. at 132.
242 Id. at 134.
243 Moini dep. at 187—88.
244 Id. at 191.
245 Id. at 189.
246 Id. at 190.
247 Id. at 191.
248 Id. at 191.

intermediary.<sup>249</sup> Hashemi's connections to the Khomeini regime were indeed legitimate.250

### b. Tracking the Shah's Assets

From the beginning of his relationship with the State Department, Cyrus Hashemi offered to identify the assets of the former Shah in the United States in the hope that such information could be offered to Iran as an inducement to release the hostages.<sup>251</sup> According to FBI surveillance records, Hashemi and Pottinger consulted on the details of this effort on September 23, 1980, and then presented their ideas to Saunders in a conference call on September 25, 1980.<sup>252</sup> Pottinger interviewed Treasury and State Department officials, and New York banks, as to the feasibility of the plan and he prepared a memorandum for Hashemi proposing an approach to searching for the assets.<sup>253</sup> On October 21, 1980, Cyrus telephoned Hashemi Rafsanjani, the speaker of the Iranian parliament, in Teheran to inform him that he intended to deliver a report compiling the Shah's assets; Rafsanjani was receptive to the proposal and encouraged Cyrus to continue. 254

### 5. THE FBI SURVEILLANCE OF HASHEMI

Much of the information on Cyrus Hashemi's activities during the hostage crisis comes from conversations recorded by FBI electronic surveillance. The surveillance tapes provide a window into Hashemi's life during the time of his dealings with the Carter Administration and point to other channels of communication that Hashemi was pursuing at the same time.

In June 1980, the FBI launched an investigation of Cyrus Hashemi based on information that he was providing funds to pro-Khomeini forces through First Gulf Bank & Trust in New York. 255 The FBI was also interested in gathering information relating to the assassination of Ali Akbar Tabatabai, the former press attache to the Iranian Embassy in Washington.<sup>256</sup> In August 1980, the FBI

quainted with each other. <sup>255</sup>O'Connor dep. at 52.

256 Id. at 56.

<sup>&</sup>lt;sup>249</sup> Neither Cutler, Christopher or Cogan had contemporaneous knowledge of Hashemi's Madrid Passindideh meeting in 1980. Christopher dep. at 7; Cogan dep. at 156; Cutler int., May

<sup>&</sup>lt;sup>250</sup>It is possible that Pottinger, a former official in the Nixon and Ford administrations, was perceived by others to be a Republican emissary. In My Turn to Speak, former Iranian president Bani-Sadr writes:

<sup>[</sup>I]n the spring of 1980, Khomeini's nephew residing in Spain was contacted by some Americans close to Reagan. They proposed an agreement: not a reconciliation between governments but a secret agreement between leaders. He came to see me and told me that the Americans wanted to establish secret relations with me, and that if I refused, they would make the same offer to Beheshti and Rafsanjani. I categorically refused to become involved in any such scheme. I have never mentioned this until now, because I did not want to cause trouble for this Iranian.

Bani-Sadr, My Turn to Speak, p. 29. In an interview with House Task Force investigators in France, Bani-Sadr indicated he was not aware of the Passindideh meeting in Madrid until after it had occurred. Bani-Sadr understood that Passindideh had met with Republicans. House Task Force interview of Bani-Sadr, June 3, 1992. See also J. Barry, "A Case of Confused Identity?" Newsweek, Nov. 18, 1991, p. 34.

Newsweek, Nov. 18, 1991, p. 34.

251 Saunders dep. at 11.

252 Deposition of Terry O'Connor, June 25, 1992, at 67-68.

253 Pottinger dep. at 140-41.

254 O'Connor dep. at 71-72. Cyrus had represented to the State Department and to Pottinger that Raßanjani was a cousin. Saunders dep. at 43; Pottinger dep. at 116. In fact, in the telephone conversation between Cyrus and Raßanjani recorded by the FBI on October 21, 1980, Cyrus introduces himself to Raßanjani, suggesting that the two men were not previously accurainted with each other.

obtained an order under the Foreign Intelligence Surveillance Act (FISA) to conduct electronic surveillance of Hashemi.<sup>257</sup> The sur-

veillance was initiated on September 2, 1980.258

The FBI found nothing of interest relating to their initial inquiry into the funding of pro-Khomeini groups. But the FBI did discover that Hashemi may have been involved in the illegal exportation of U.S.-made arms.<sup>259</sup> The evidence accumulated by the wiretap led eventually to Cyrus Hashemi's indictment (along with his brother Reza and three other men) in 1984 in the Southern District of New York for conspiracy to violate the arms embargo against Iran. Initially. Cyrus fled to Europe to avoid prosecution. The case against Cyrus was ultimately dropped in 1986 in exchange for his cooperation in a very sophisticated arms smuggling sting operation.

The FBI wiretap recorded conversations regarding, among other things, plans by Cyrus and Pottinger to assist the State Department in obtaining the release of the hostages, and Cyrus' scheme to help the Iranian government recover the Shah's assets in the United States.<sup>260</sup> The wiretap also recorded a conversation between Cyrus Hashemi and Hashemi Rafsanjani, then Speaker of the Majles, on the asset issue, and a conversation between Mahmood Moini and Cyrus in which Cyrus boasted of his connections to William Casev. 261 These and other conversations will be treated in

more detail herein.

An issue has arisen regarding the whereabouts and handling of these tapes. The Hashemi surveillance was terminated in mid-February 1981.<sup>262</sup> Soon thereafter, the United States Attorney's Office for the Southern District of New York began contemplating prosecution of the Hashemi brothers, Pottinger and others for arms trafficking.<sup>263</sup> In 1982 and again in 1983, the FBI was unable to locate three or four tapes to be used in connection with a possible prosecution; these tapes have come to be referred to as the 'Pottinger tapes." 264 In May 1984, the FBI's New York office reported the loss to FBI headquarters, triggering an administrative inquiry that resulted in a disciplinary action against the supervisor of the project.<sup>265</sup>

In October 1991, pursuant to congressional request, the FBI's New York office attempted to locate the full set of 1980 Hashemi tapes.<sup>266</sup> Following a search of the New York office and a cursory search of a storage facility in Newburgh, N.Y., the FBI was unable to locate any of the 1980 Hashemi tapes. 267 In early 1992, the FBI's inspection division sent personnel to New York to coordinate a search for the tapes.<sup>268</sup> In late February 1992, New York FBI personnel, under the direction of the inspection team, located 11 boxes in the Newburgh storage facility containing 450 Hashemi tapes; in-

<sup>257</sup> Id. at 54.

<sup>&</sup>lt;sup>258</sup> Id. at 55.

<sup>259</sup> Id. at 57-58.

<sup>260</sup> Id. at 58.

<sup>261</sup> Id. at 65, 79.

 <sup>262</sup> Id. at 66.
 263 M. Hornblower, "Two Plead Guilty in Iran Arms Case," The Washington Post, July 18, 1984, p. A29. 264 O'Connor dep. at 88–90.

<sup>&</sup>lt;sup>265</sup> Id. at 88.

<sup>266</sup> Id. at 91.

<sup>267</sup> Id. 268 Id.

cluded among these tapes were the four missing "Pottinger tapes." 269 The FBI's investigation determined that the Hashemi case agent said he found the "Pottinger tapes" in 1986 in an interoffice envelope in his work box and put them in storage with the other Hashemi tapes without informing his supervisor or anyone else at the FBI or Department of Justice that he had done so.<sup>270</sup>

On May 8, 1992, in connection with the "October Surprise" investigations, Reuters reported, based on "FBI sources," that the FBI had located hours of secretly-made tapes that included a conversation that appeared to be between then-Republican presidential candidate Ronald Reagan and a man the sources said was an Iranian.<sup>271</sup> The story reported that the sources declined to say what the two men discussed on the tapes.<sup>272</sup> The story indicated the tapes had been located after a 3-week hunt by more than 80 FBI agents through an FBI storage facility in upstate New York.<sup>273</sup> The story implied that the tape including the Reagan conversation was reviewed by an FBI agent in New York. According to Terry O'Connor, the agent in charge of the FBI's October Surprise Task Force. the Hashemi tapes recovered in Newburgh were not listened to until they were sent to Washington headquarters. 274

Pursuant to the request of the subcommittee, the FBI has collected 548 reel-to-reel tapes and corresponding descriptive logs of the tapes prepared by agents from the Hashemi wiretap, which comprise roughly 2,000 hours of conversation.<sup>275</sup> The FBI has been tasked with primary responsibility for reviewing the tapes; as of October 5, 1992, the FBI had reviewed and analyzed 402 of the 548

tapes.276

A review of the logs and tapes by the FBI October Surprise Task Force and Senate and House investigators has not located the existence of a conversation involving Ronald Reagan on the Hashemi tapes. The investigation requested access to six current and former FBI agents involved in the handling of the Hashemi tapes in New York, as well as their supervisors on the Hashemi surveillance. The FBI declined to make the individual agents available for interviews, but did provide access to the supervisors. The FBI reported the results of its internal investigation to the Special Counsel; the FBI found no indication that Ronald Reagan was recorded on the Hashemi tapes.

<sup>272</sup>Reuters, "FBI finds tapes sought in October Surprise probe."

<sup>274</sup> O'Connor dep. at 96.

includes calls in Farsi, requiring translation.

<sup>&</sup>lt;sup>269</sup> Id. at 92-94.

<sup>270</sup> Id. at 94.

<sup>&</sup>lt;sup>271</sup> Reuters, "FBI finds tapes sought in October Surprise probe," Washington Times, May 8, 1992. The possibility that Reagan and Cyrus Hashemi spoke in 1980 was also raised by Jamshid Hashemi. Jamshid testified that he was present at a conversation between John Shaheen and Cyrus Hashemi at Annabelle's in London in 1980. Hashemi dep. at 167. According to Jamshid, Shaheen asked Cyrus whether he was satisfied with the conversation he had with Governor Reagan; Cyrus said yes. Id. It was Jamshid's understanding that the Cyrus-Reagan conversation had taken place over the telephone while Cyrus was in the United States. Jamshid had no idea whether the conversation dealt with the hostages. Id. at 168.

<sup>&</sup>lt;sup>275</sup>Id. at 59. Agents of the FBI October Surprise Task Force have informed us that to the best of their knowledge, these 548 tapes constitute the entirety of tapes made during the Hashemi surveillance. Eleven blank tapes made during the Hashemi surveillance have also been identified. It is still unclear whether the blank tapes resulted from mechanical malfunction or erasure to minimize intrusion into non-pertinent activity of the person under surveillance.

276 Interview of Special Agent John Hartingh, October 5, 1992. In many instances the wiretap

On September 10, 1992, the FBI Task Force informed the Special Counsel of the existence of an 8-day period, from November 9 to November 17, 1980, during the surveillance of Hashemi's New York offices in which no telephone calls were recorded.<sup>277</sup> The FBI Task Force advised that there are no gaps on the reel-to-reel tapes that would suggest erasure or tampering; rather, the surveillance logs simply indicate no calls on any of the six office phone lines. Microphones continued to record activity in the office during this period. There is some reason to believe, based on a call to a private telephone company by Cyrus Hashemi's secretary on November 7, that the office was experiencing problems with its phone system; however, the FBI had knowledge from other sources that calls were placed to Hashemi's New York offices during this time period. The FBI Task Force stated that the agents assigned to the Hashemi surveillance in New York had no recollection of the wiretap being down for any extended period of time. While the FBI Task Force is unable to determine why there is an 8-day period in which there were no intercepts on the telephone surveillance of the Hashemi office in New York, it is possible that the wiretap may have been suspended to avoid detection by the private phone company that was working on the office lines.

### 6. THE SHAHEEN CONNECTION

If Cyrus Hashemi met William Casey during the hostage crisis, it is more than likely that the two men would have been introduced by John Shaheen. Shaheen was a Lebanese-born international businessman with a taste for high-risk, high-yield oil ventures. Shaheen, who died in 1985, had an intelligence background, having served in the Office of Strategic Services (OSS) along with Casey during World War II.<sup>278</sup> Shaheen and Casey remained life-long friends. According to Shaheen's personal assistant, Maureen McPartland Brokaw, and Shaheen's son Bradford, the two men socialized frequently in New York but did not conduct business to-

Shaheen's most ambitious business project was the construction of a crude oil refinery at the remote Come by Chance harbor in Newfoundland. The refinery was a spectacular failure and eventually became one of the largest bankruptcies in Canadian history. leaving some \$600 million in debts when it failed in 1976.<sup>280</sup> When conventional sources of credit began to dry up, Shaheen turned to Cyrus Hashemi, then a London and New York banker, for high interest loans to re-finance the project.<sup>281</sup> According to Jack Cook, an Atlanta lawyer who represented both Shaheen and Hashemi, Cyrus was in charge of raising \$40 million to satisfy a bankruptcy court escrow requirement. 282 In October 1980, Shaheen's son Bradford

<sup>&</sup>lt;sup>277</sup>The FBI Task Force noted that they would not expect any activity on the Hashemi business phone lines over the weekend of November 15–16, 1980.

<sup>278</sup>Interview of Bradford Shaheen, April 23, 1992. John Shaheen headed the Donovan Award dinners, at which OSS veterans gathered every 2 or 3 years. Id.

<sup>279</sup>Id.; Interview of Maureen McPartland Brokaw, May 11, 1992.

<sup>280</sup> "Shadowy N.Y. Businessman, Furmark Had Roles in Big Bankruptcy," Los Angeles Times, December 12, 1986, p. 1.

<sup>281</sup>Interview of Brad Shaheen, April 23, 1992.

<sup>282</sup>Interview of Jack Cook, July 8, 1992.

made a \$71 million (Canadian) bid for the refinery, financed by International Sea Oil Company, headed by Cyrus Hashemi. 283

Shaheen's London office was close to Hashemi's bank in Barclay Square. The two men began to help each other in many ways: Shaheen was instrumental in obtaining a visa for Jamshid Hashemi to enter the United States in January 1980.<sup>284</sup> Jesse Taub, a Shaheen business associate who served as vice president and as a director on virtually every Shaheen corporation, recalled that Shaheen used to go out of his way to do favors for Cyrus; as one example. Taub recalled that Shaheen allowed Hashemi to use his London office and forgave the exorbitant phone bills Hashemi ran up. 285

The Iranian hostage crisis was a disaster from Shaheen's perspective.<sup>286</sup> The cut-off of cheap Iranian crude hampered his plans for reviving of the Newfoundland refinery. In an interview with FBI agents Ernest Cash and Louis Stephens on February 27, 1984 in connection with the government's investigation of Hashemi for arms export violations, Shaheen explained that his purpose in meeting Hashemi was to cultivate him as a source of contacts for oil contract purchases in Nigeria and Tunisia.<sup>287</sup>

Soon after the taking of the hostages, Shaheen approached the CIA with a variety of proposals he believed could assist in resolving the crisis. Shaheen, as a World War II OSS veteran, apparently maintained active ties to the intelligence community. CIA files indicate that Shaheen was granted several audiences, and that his proposals were taken under serious consideration.

It is clear, from the FBI interview of Shaheen, that Shaheen and Hashemi discussed the hostage situation, and that Shaheen believed Hashemi had influence in that regard; the report also indicates that Shaheen brought Hashemi to Casey's attention. Agents

Cash and Stephens wrote:

Shaheen stated that he mentioned Hashemi to persons in the CIA because during the course of Shaheen's contact with Hashemi he determined that Hashemi might be able to play some role in either alleviating the hostage crisis in Iran or in establishing a dialogue with the Khomeini government and the United States. He stated that he made these contacts including a contact with Director William Casey of the CIA on a strictly voluntary basis, acting on his own at all times without prompting from Hashemi or any one connected to Hashemi. He emphasized that as a businessman and a political realist he was aware that sooner or later, despite the Iranian hostage crisis, the United States would have to engage in some type of relationship with Iran and believed that Hashemi might play some

<sup>&</sup>lt;sup>283</sup> "Financier, 25, Discusses His Oil Refinery Bid," The New York Times, October 22, 1980,

p. D2.

284 Hashemi dep. at 115-16.

285 Interview of Jesse Taub, May 18, 1992.

286 Interview of Maureen McPartland Brokaw and Barry Brokaw, May 11, 1992.

287 2/27/84 FBI "302" Report on John Shaheen interview, dep. exhibit 7, June 25, 1992. Lawrence Blatte, a New York attorney who handled some of Hashemi's transactions, stated that at an unrecalled date, Cyrus Hashemi and Shaheen contemplated purchasing a bank in Switzerland together and that Blatte traveled to Europe to explore the feasibility of the proposal; nothing suggesting the idea. Interview of Lawrence Blatte. May 15, 1992. ing ever came of the idea. Interview of Lawrence Blatte, May 15, 1992.

type of role in establishing that relationship, however minor (emphasis added).<sup>288</sup>

Whether Shaheen mentioned Hashemi to Casey during the 1979-80 Iranian hostage crisis, or at some later date (perhaps in reference to the American hostages held in Lebanon), is left unclear

in light of a subsequent passage in the report:

Shaheen recalled vaguely that in October of 1983 after he had a conversation with William Casey at a date, place and time unrecalled, a conversation wherein Shaheen explained to Casey his knowledge of Hashemi and how he thought Hashemi might have some value to the United States with regards to Iran, Shaheen met with one of Casey's representatives who was Chief of a Near East Branch of the CIA. Shaheen recalled that at the luncheon meeting he explained his knowledge of Hashemi and how he thought Hashemi might have some impact on the current Iranian situation. 289

However, in an interview with this investigation, Stephens clarified this point by recalling that Shaheen said he had mentioned Hashemi to Casey in connection with the Iranian hostage crisis, be-

fore Casey became director of the CIA.290

According to the FBI report, Shaheen went on to describe the government's lukewarm reaction to the proposed Hashemi contact in 1983:

Shaheen stated that he did not know at the time that Cyrus Hashemi was under investigation for violations of the Federal law and that his meeting with Chief (sic) Near East Branch was friendly and cordial and that the information he provided was taken in the spirit in which it was offered. He stated that he discussed Hashemi with representatives of the CIA and recalled that as late as 6 months ago he raised the subject of Hashemi to the CIA and other representatives of the government at which time he was informed that "Hashemi was off limits" and the government desired no dealings with him. Shaheen stated that at that time he was informed that Hashemi was under investigation by the Federal government and that contacts by the CIA or other United States government representatives with Hashemi would be productive. Shaheen emphasized that William Casey never asked Shaheen to contact Cyrus Hashemi or obtain any information about Hashemi for or on behalf of Casey or the United States government. He stated that Hashemi was never actually aware of any contacts in government made by Shaheen and he restated that all information he passed regarding Hashemi to the United States government was done on his own initiative and that he has never been tasked or asked by any governmental agency to provide information regarding Hashemi.<sup>291</sup>

On November 8, 1980—shortly after the U.S. presidential election—the FBI recorded a telephone call from John Shaheen to

<sup>288 2/27/84</sup> FBI "302" Report on John Shaheen interview, dep. exhibit 7, June 25, 1992.

<sup>&</sup>lt;sup>290</sup> Interview of Lou Stephens, August 18, 1992.

<sup>&</sup>lt;sup>291</sup>2/27/84 FBI "302" Report on John Shaheen interview, dep. exhibit 7, June 25, 1992.

Cyrus Hashemi.<sup>292</sup> The two men discussed business affairs. Toward the end of the call, Shaheen states that "Bill Casey" had requested Shaheen's assistance in preventing ballot stuffing in the recent presidential election, and that Shaheen had agreed to help. Shaheen makes the palpably false claim that he had 76 Assistant United States Attorneys under his supervision checking ballots. Shaheen then notes that Casey has "been my lawyer for 2 years" and that Casey is familiar with Shaheen's legal problems. The discussion below then follows:

JS: I called Pottinger and told him that if he needed anything from Casey during this transition period because ah—Reagan the other day appointed Casey head of the transition

team.

CH: Yes, yes.

JS: So if there is anything that is needed I said, or if Cyrus wants anything in his stuff let me know because, you know, we're one team that works together.

CH: Right.

JS: And Stan was very appreciative and being a Washington lawyer they live on connections you know.

CH: Right, oh absolutely. JS: That's their game.

CH: No, I think that, you know. I would a—look forward to seeing him in the next a—

JS: Yeah. I want you to lunch with the guy.

CH: Yeah.

JS: I told him I was getting into a banking venture with ya, with you, and you know, what the hell you might as well have a direct one to one relationship.

CH: Right.

JS: You know you're an old pal of mine, 35 years.

CH: Right.

JS: Fair enough. I'm here if you want me. 293

This conversation has several possible interpretations. One is that Shaheen is simply reporting to Cyrus his conversation with Pottinger which includes mention of Casey. (Under this interpretation, Pottinger would be having lunch and the "one to one" relationship with Casey.) Another interpretation is that Shaheen wants to introduce Cyrus to Casey, which would rule out a previous Cyrus-Casey relationship. This interpretation is belied by Cyrus' statement that he looks forward to "seeing him"; if it were an introduction, Cyrus logically would anticipate "meeting him." Also of significance is Shaheen's statement, "you might as well have a direct one to one relationship," which leaves open the possibility that to date the relationship has been an indirect one.

One hour after the above conversation, according to the FBI tapes, Cyrus speaks to Pottinger and asks whether he knows "who'll be the man on the transition team." 294 Pottinger mentions that Shaheen called him the previous day; Cyrus makes no men-

<sup>&</sup>lt;sup>292</sup> According to the FBI Task Force, Shaheen called Hashemi.
<sup>293</sup> From FBI October Surprise Task Force transcript. See Classified Appendix to this report, available to appropriately cleared individuals through the Senate Committee on Foreign Relations. The remainder of the conversation involves non-pertinent subject matter.
<sup>294</sup> From FBI October Surprise Task Force transcript.

tion of his having just spoken to Shaheen an hour before.295 Cvrus quizzes his lawyer about Pottinger's own talk with Shaheen, and Pottinger reports that Shaheen "wanted to offer his assistance." 296 This conversation is clear evidence that even Cyrus' closest associates did not know everything Cyrus was doing, and that Cyrus was

a master of compartmentalizing information.

The FBI wiretap provides further evidence that Shaheen was aware of Hashemi's involvement in the hostage crisis. On October 23, 1980, Shaheen telephoned a business associate named Dick Gaedecke in Switzerland from Hashemi's telephone.<sup>297</sup> In the conversation. Shaheen tells Gaedecke that he was with "Dr. Hashemi's people" and that the American hostages would be released at "any hour." 298 The tape also reflects that Maureen McPartland Brokaw, Shaheen's assistant who apparently placed the transatlantic call, comments, "frankly I wish they'd wait 2 weeks." 299 Shaheen also tells Gaedecke during the call that Cyrus Hashemi had been working since 5:00 a.m. on this matter.300

### 7. OTHER EVIDENCE OF A HASHEMI-CASEY LINK

recorded conversation between Cyrus Hashemi and Mahmood Moini on November 20, 1980, Moini informed Cyrus that Ardashir Zahedi, the Shah's son-in-law and former ambassador to the United States, was now in Washington.301 Moini indicates that Zahedi "has a close relationship with the Republicans and has been a close friend of Reagan's" and "has come to Washington and begun some political activities." 302 Moini states that Zahedi "had gone and met with Kissinger and had also met with Reagan and presently is seriously engaged in activities, and this.\* \* \* "303 The exchange below then follows:

CH: Yes, he can do nothing, he will not accomplish

anything-

MM: Now, you keep this news in mind-

CH: —yes, because, you know, with—that is, I, you know, I have been, well close friends and thing with Casey for several years—and I am now a very good friend of his—

MM: Right-

CH: I have spoken so far to them several times, now—

Admiral Ahmad Madani testified that Cyrus mentioned Casey to him during a discussion about the hostage situation.<sup>305</sup> Madani advised Cyrus that Casey was not in the existing government, that their primary concern should be to free the hostages and that "we

<sup>&</sup>lt;sup>295</sup> Id. <sup>296</sup> Id.

<sup>&</sup>lt;sup>297</sup> O'Connor dep. at 81.

<sup>&</sup>lt;sup>299</sup> Id. Mrs. Brokaw denies having made this statement. Interview of Maureen McPartland Brokaw, August 24, 1992.
300 O'Connor dep. at 81-2.

<sup>301</sup> Id. at 77-78.

<sup>302</sup> FBI verbatim translation of 11/20/80 conversation in Farsi between Moini and Cyrus Hashemi.

<sup>&</sup>lt;sup>304</sup> Id. In a Farsi conversation between Cyrus Hashemi and Houshang Aryanpour, a Madani associate, recorded on November 14, 1980 (that has not yet been fully transcribed by the FBI), Cyrus boasts of his ability to talk with "people like Muskie and Casey."

<sup>305</sup> Madani dep. at 198.

are not here to play politics." <sup>306</sup> Cyrus told Madani that Casey was an important man and that if Reagan came to power, Casey would be Secretary of State or head of the CIA. <sup>307</sup> Cyrus offered to set up a meeting between Madani and Casey, but Madani declined. <sup>308</sup> It was Madani's belief that Cyrus wanted him to meet Casey because Khomeini and Carter hated each other and "Casey wanted to fish in troubled waters." <sup>309</sup> Madani testified he became concerned that Cyrus was "double-dealing" with Casey and the Carter Administration. <sup>310</sup>

Access to some of the missing Casey and Shaheen personal documents, and other as yet unreviewed evidence, might have assisted the investigation in obtaining further evidence on Casey's ties to Hashemi. Bradford Shaheen stated he had no knowledge of a Casey-Hashemi relationship, although he said such a link was "possible and even likely." <sup>311</sup> A review of Shaheen's personal appointment calendars for 1979–81 revealed no occasion on which the three men were together. Neither Pottinger nor Reza Hashemi had any knowledge of a relationship between Cyrus and Casey. <sup>312</sup> Maureen McPartland Brokaw stated that to her knowledge, Casey did not know Cyrus. <sup>313</sup> Jackson Cook, a Hashemi lawyer, could not recall a single instance in which Cyrus ever mentioned Casey's name. <sup>314</sup> There is also, of course, Jamshid Hashemi's account of the Madrid meetings, which is recounted in the next chapter.

<sup>&</sup>lt;sup>306</sup> Id.

<sup>307</sup> Id. at 198, 209.

<sup>308</sup> Id. at 199.

<sup>309</sup> Id. at 201.

<sup>310</sup> Id. at 202.

<sup>311</sup> Interview of Bradford Shaheen, April 23, 1992.

<sup>312</sup> Interview of Reza Hashemi, June 11, 1992; Pottinger dep. at 134.

<sup>313</sup> Interview of Maureen McPartland Brokaw, May 11, 1992.
314 Interview of Jackson Cook, July 8, 1992. In fact, none of Hashemi's attorneys who represented him during his prosecution for arms trafficking (and were interviewed by this investigation) knew of any connection between Cyrus and Casey, nor did they recall any instance in which either Cyrus or Jamshid Hashemi attempted to use their involvement in the hostage crisis to improve their position vis-a-vis the government.

Charles Cogan recalled that one Hashemi lawyer, former Attorney General Elliot Richardson, contacted him at the CIA seeking special consideration for Hashemi based on his prior service to the U.S. government in connection with the Madani campaign and the hostage negotiations. Cogan recalled that Richardson also contacted CIA Director Casey. Cogan recalled Richardson saying, in effect, "look, the Hashemis were involved with the U.S government at one point and it would be sort of sensitive if this became known." It was Cogan's assessment that Richardson was trying to influence policy makers to have the charges against Hashemi dropped. Cogan said the CIA deflected the issue and made no agreement with Richardson. Interview of Charles Cogan, May 4, 1992; Cogan dep. at 172.

## CHAPTER VI.—ALLEGED CASEY MEETINGS IN **MADRID**

### 1. Overview

Jamshid Hashemi claims to have been present at meetings between William Casey and Iranian representatives in Madrid in the summer of 1980.315 Jamshid's claims could not be corroborated with independent, first-hand evidence. The other participants at the alleged meetings—Cyrus Hashemi, Mehdi Karrubi, Hassan Karrubi, William Casey, and various anonymous Americans—are either deceased, unavailable, unidentifiable or beyond the reach of the Committee's subpoena authority. Mehdi Karrubi told PBS-TV Frontline that he had no part in any such meetings, and has never been to Spain.316 In determining the truth or falsity of Jamshid Hashemi's allegations, we must rely on fragmentary documentary evidence (including Madrid hotel records, and photographs produced by Jamshid), second-hand accounts of the Madrid meetings, records relating to William Casey's whereabouts in July and August 1980, and finally, on Jamshid Hashemi's credibility under oath

### 2. Jamshid Hashemi's Allegations

Jamshid Hashemi testified that he was staying at a hotel in Washington, D.C., in a room booked by his brother Cyrus, when he first met Casey.<sup>317</sup> In his testimony, Jamshid could not recall the exact hotel or the date.<sup>318</sup> Jamshid said he was in Washington carrying a message or letter to someone at the State Department.319 There was a knock at the door; Jamshid answered it and a man appeared who introduced himself as William Casey. 320 Jamshid

Continued (51)

<sup>315</sup> Jamshid Hashemi apparently first came forward with his allegations of Madrid meetings involving Casey in October 1990, in a series of interviews with former National Security Council staff member Gary Sick. As Sick notes in October Surprise:

In October 1990, I flew to London and spent several days with Jamshid. We were talking in his tiny office near Victoria Station when he suddenly and without explanation began describing in convincing detail a meeting he said he had attended in Madrid in July 1980 with William Casey, Donald Gregg, and Hojat ol-Eslam Mehdi Karrubi, a senior cleric in the tiny circle of revolutionaries around Ayatollah Khomeini.

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Sick, October Surprise, pp. 216-17.

316 PBS-TV Frontline, "Investigating the October Surprise," April 7, 1992.

317 Hashemi dep. at 123-24.

318 Id. at 123; Interview of Jamshid Hashemi, April 7, 1992. Jamshid apparently told Gary Sick that he was staying at the Mayflower Hotel in March 1980 when he first met Casey. G. Sick, October Surprise, p. 76.

319 Hashemi dep. at 124.

320 Id. at 126 Jamshid told Conv. Sick that Casey was accompanied by another man who intro-

<sup>&</sup>lt;sup>320</sup> Id. at 126. Jamshid told Gary Sick that Casey was accompanied by another man who introduced himself as Roy Furmark, an American businessman with ties to John Shaheen. See G. Sick, October Surprise, p. 76. In an interview with Senate and House investigators, Jamshid said Furmark was not present at the Washington hotel with Casey. Interview of Jamshid

had never seen him before, but testified that he now knows it was Casey.321 Casey said he wanted to talk to Jamshid for a few minutes: Jamshid excused himself and immediately telephoned his brother Cyrus at his office in New York. 322 Jamshid informed Cyrus that a gentleman by the name of Mr. Casey wanted to talk: Cyrus asked to speak to Casey, and Jamshid passed the receiver to Casey. 323 From the conversation, it appeared that Cyrus and Casey were familiar with each other. 324 Casey left the room following the conversation; the whole visit had lasted 3 or 4 minutes.<sup>325</sup>

Jamshid testified that later that day, he traveled to Cyrus' home in Connecticut to discuss the Casey visit. 326 Jamshid spoke with Cyrus privately; Jamshid told Cyrus "we are now here trying to release the hostages from one side and trying to do something, whatever in our little capacity we could do. And you're talking to the Republicans. How come?" 327 As Jamshid recalled, Cyrus said, "we shouldn't put all our eggs in one basket. You don't understand American politics. I've been longer here and I know how to deal with the people and never mind. Don't bother about these things." 328

Some time later, according to Jamshid's testimony, Cyrus asked Jamshid to bring Mehdi and Hassan Karrubi out of Iran to Europe to meet with Casey.<sup>329</sup> Jamshid knew both of the Karrubi brothers: Mehdi, the older brother, headed the Emergency Committee early in the revolution and later became speaker of the Majles; Hassan was the Ayatollah Khomeini's representative to the radio broad-casting service. 330 Both Karrubis had close ties to Khomeini's household.331 Jamshid questioned Cyrus on the rationale of setting up such a meeting. Cyrus replied that in the event the Republicans won the election, "it's better that we have somebody in the camp of Republicans who would be supportive of us." 332 According to Jamshid, the Karrubis traveled to Madrid with express authorization from Khomeini.333

Jamshid stated that Hassan Karrubi traveled on his own to Italy, then to Denmark, and Jamshid picked him up at the Danish-German border in his Mercedes.<sup>334</sup> Mehdi Karrubi apparently flew directly from Teheran to Madrid by Iran Air, and no visa would have been required for that trip. 335 Jamshid drove Hassan to Hamburg and from there he chartered a private plane to Madrid. 336

During his deposition, Jamshid identified four snapshot photographs he had previously produced to Senate and House investiga-

Hashemi, April 7, 1992. Furmark has denied the allegation, and said he first met Jamshid in 1987 or 1988. House Task Force Interview of Roy Furmark, April 30, 1992.

321 Hashemi dep. at 128.

<sup>322</sup> Id. at 124, 127.

<sup>323</sup> Id. at 126.

<sup>324</sup> Id. at 127.

<sup>&</sup>lt;sup>325</sup> Id.

<sup>326</sup> Id. at 133.

<sup>&</sup>lt;sup>327</sup> Id.

<sup>328</sup> Id. at 133-34.

<sup>329</sup> Id. at 135, 137.

<sup>&</sup>lt;sup>330</sup> Īd.

<sup>&</sup>lt;sup>331</sup> Id. at 151.

<sup>332</sup> Id. at 137.

<sup>333</sup> Id. at 150-51.

<sup>334</sup> Interview of Jamshid Hashemi, April 7, 1992; Hashemi dep. at 153. 335 Hashemi dep. at 153.

<sup>336</sup> Interview of Jamshid Hashemi, April 7, 1992.

tors that he claimed showed himself, Hassan Karrubi and a bodyguard at the Danish-German border crossing station, and one photo of Karrubi by himself.<sup>337</sup> Jamshid testified that these photos were taken prior to the Madrid meetings with Casey in 1980.<sup>338</sup>

There is some evidence, however, that these Karrubi photos may have been taken on another occasion in 1980. Pursuant to a request from the subcommittee, the State Department made available a letter dated July 24, 1984 addressed to "Arnold Raphel. Esq., Senior Deputy Assistant Secretary of State, Middle East Dept. and Near East," and from "M.A.B. Hashemi," 339 The author of the letter identifies himself as "the eldest Hashemi brother, before the revolution a successful director of a construction company." 340 The letter solicits State Department support of Admiral Madani, and suggests setting up a meeting with him in London. The letter states "I was succeefull (sic) to bring Ayatollah Haj Mehdi Karoobi Member of Parliament, Head of Martyre foundation, Later his brother Hojateslam Haj Hassan Karoobi to Europe to meet with the Admiral. Later a delegation of 3 persons of moderates." 341 At the conclusion of the letter, the author notes that he has enclosed "a photograph showing Karooby and myself and his aide crossing the border to Germany to meet the Admiral."342 No mention of William Casev is made in the letter.

Jamshid Hashemi testified that he did not recall writing the letter.<sup>343</sup> He continued to maintain the photos he produced were taken prior to the Madrid meeting with Casey in 1980.<sup>344</sup> Admiral Madani has confirmed that he met with Hassan Karrubi in Hamburg in October 1980, which would tend to corroborate the information in the Raphel letter.<sup>345</sup> The evidence to date leaves unanswered the question as to whether the photos were taken prior to a Madani-Karrubi meeting in Hamburg, or prior to a Casey-Karrubi meeting in Madrid, or perhaps on both occasions.

Jamshid stated that the Madrid meetings took place on two sets of occasions in the summer of 1980. Jamshid was unable to fix a specific date for the first meetings.<sup>346</sup> The Hashemis and the Karrubis used aliases when checking into the hotel in Madrid; Jamshid used the name Jamshid Khalaj on one occasion, Cyrus sometimes used the name Shapour.<sup>347</sup> During his deposition, Jamshid was shown photocopies of hotel room tax ledgers from July 1980 and August 1980 obtained by House Task Force inves-

<sup>337</sup> See Exhibit 14.

<sup>&</sup>lt;sup>338</sup> Interview of Jamshid Hashemi, April 7, 1992.

<sup>339</sup> Hashemi dep. exhibit 3. The letter was also found in a CIA file on Jamshid Hashemi.

<sup>&</sup>lt;sup>340</sup> Id.

<sup>&</sup>lt;sup>341</sup> Id.

<sup>&</sup>lt;sup>342</sup> Id.

<sup>&</sup>lt;sup>343</sup> Hashemi dep. at 155–57.

<sup>344</sup> Id. at 157.

<sup>&</sup>lt;sup>345</sup>Interview of Ahmad Madani, July 9, 1992; House Task Force interview of Ahmad Madani, August 23, 1992.

<sup>&</sup>lt;sup>346</sup>Hashemi dep. at 139. Jamshid told Sick he remembered the meetings being in July and August but could not reconstruct the precise dates. Sick, October Surprise, p. 250, n. 24. Based on Plaza Hotel records, obtained by ABC-TV Nightline, containing the Hashemis aliases, Sick estimated that the likely dates of the Madrid visit could be narrowed to the week of July 25-August 2, with July 25-29 as the most probable dates of the Casey meetings. Id.

<sup>347</sup>Hashemi dep. at 139, 141.

tigators from the Plaza Hotel in Madrid.348 Jamshid recognized his aliases "Abdullah Hashemi" and "Jamshid Khalaj" on the July 25 and July 30 tax lists respectively. 349 On the July 31 list, Jamshid identified "Shapour" as Cyrus' assumed name. 350 On the August 11 list, Jamshid identified "Hasan Mohammed" as being Hassan Karrubi's alias.351

Jamshid said the opening meeting was at the Ritz Hotel, in the afternoon, and was attended by the Karrubis, the Hashemis, William Casey and two other Americans whose names Jamshid could not recall.352 The Karrubis also had a bodyguard accompanying them. 353 Mehdi Karrubi began the meeting by giving a speech condemning United States policy toward Iran. 354 Casev listened and said nothing in response; at the end of the meeting, Casey said his interest was in seeing that the hostages were freed as soon as possible and that he would be grateful if that happened.355 The Hashemi brothers served as translators; occasionally, Jamshid noticed that Cyrus would deliberately mistranslate certain statements.<sup>356</sup> After the meeting, Mehdi Karrubi expressed to Jamshid his puzzlement as to the purpose of the encounter, and why Casey remained silent.357

Jamshid testified that they met again briefly the next day.358 Casey brought up the welfare of the hostages. 359 Again, Casey urged that the hostages be freed as soon as possible.360 Mehdi

<sup>348</sup>Jamshid testified that he and Hassan Karrubi stayed at the modern Plaza Hotel in Madrid;

Mehdi Karrubi stayed at the Iranian Embassy in Madrid. Id. at 147–48. The Plaza Hotel in Madrid; Mehdi Karrubi stayed at the Iranian Embassy in Madrid. Id. at 147–48. The Plaza Hotel ledgers were compiled by a clerk on a nightly basis. The ledgers indicate the names of all guests who registered on each day. The information was kept in order to compute room taxes owed.

39 Hashemi dep. at 140–41. According to telephone long-distance toll records for Cyrus Hashemi's Wilton, Connecticut home obtained by the FBI, calls were placed on July 27 and July 28, 1980 from Cyrus' home phone to (among others): Jamshid Hashemi and Mahmood Moini in Connecticut, Alanna Torres (Cyrus' personal assistant) in Queens, New York and J. Stanley Pottinger in suburban Maryland. While it could not be determined who in the Hashemi house-bald actually made these cells, it seems sublichy that anyone other than Cyrus would have cells. hold actually made these calls, it seems unlikely that anyone other than Cyrus would have contacted these individuals. FBI Materials Obtained from House Task Force, August 10, 1992.

350 Hashemi dep. at 141.

<sup>351</sup> Id. at 142.

<sup>352</sup> Id. at 143-47. Jamshid testified the two Americans were well-dressed and did not appear to be bodyguards. Id. at 144. Jamshid told Gary Sick that one of the men accompanying Casey was Donald Gregg. Sick, October Surprise, pp. 82-83. In an interview with Senate and House investigators, Jamshid said Donald Gregg was not present. Interview of Jamshid Hashemi, April

<sup>7, 1992.</sup>On June 20, 1991, ABC-TV Nightline reported that the name "Robert Gray" appeared on Plaza Hotel guest records. Tax ledgers obtained by House Task Force investigators in Madrid also show the name "Robert Gray" on the list. See Exhibit 15. In an interview, Robert K. Gray, the 1980 Reagan campaign's Director of Communications, denied that he was in Madrid in the summer of 1980 and produced his U.S. passport valid 1977 to 1982 to confirm he did not enter summer of 1980 Cray also stated that he power retained more than one U.S. passport at a time. Spain in 1980. Gray also stated that he never retained more than one U.S. passport at a time. Interview of Robert Gray, May 14, 1992.

<sup>353</sup> Interview of Jamshid Hashemi, April 7, 1992.

<sup>355</sup> Hashemi dep. at 143-44.
355 Hashemi dep. at 145. Jamshid told Gary Sick that after Karrubi's opening speech, Casey said the Republicans traditionally had better relations with Iran than the Democrats and that once Reagan won the election, the new administration would not only be willing to give back to Iran its frozen assets, but would return all of Iran's confiscated military equipment after the hostages were released. Sick, October Surprise, pp. 83–84.

336 Hasheni dep. at 152.

<sup>357</sup> Id. at 146.

<sup>358</sup> Id.

<sup>359</sup> Id. at 146-47.

<sup>360</sup> Id. at 146-41.
360 Id. at 146. ABC-TV Nightline presented the following account of Casey's response to Karrubi based on information Nightline said it obtained from Jamshid: "Casey had some questions: was Iran ready to deal with the Republicans and hand over the hostages? Was Karrubi empowered to confirm a deal in Khomeini's behalf? Could he give assurances that the hostages would be well-treated? And would they be released to President-elect Reagan after the election? If that happened, said Casey, the Republicans would be grateful and would arrange for the re-

Karrubi said he would report the matter to Khomeini and would inform them when he had an answer.361 Mehdi Karrubi said that

they should let him know when to come back to Madrid. 362

According to Jamshid, the same participants reconvened in Madrid no more than 3 weeks later.<sup>363</sup> Mehdi Karrubi brought a clear message from Khomeini: Khomeini had no intention of giving the hostages to the Democrats and was going to hand them over to Reagan.<sup>364</sup> Casey mumbled something in response.<sup>365</sup> Mehdi Karrubi also conveyed Khomeini's desire to unfreeze Iranian assets.<sup>366</sup> The issue of the welfare of the hostages was brought up again, and Mehdi Karrubi guaranteed that they would be welltreated and were going to be moved to a better place.367

Jamshid said it appeared to him that the point of the meetings was to allow both sides to feel out the other, and to see if they could do business together.<sup>368</sup> Jamshid testified that at no time during any of the meetings did Casey ever ask for the prolongation of the hostages' confinement in Iran.<sup>369</sup> Jamshid testified that he probably reported the meetings with Casey to Admiral Madani. 370 Jamshid said he never saw Casey again after the Madrid meet-

ings.371

### 3. OTHER MADRID ALLEGATIONS

Ari Ben-Menashe, an Israeli citizen who was born and raised in Iran and now lives in Australia, claims to have been involved in Israeli intelligence operations in the late 1970s and early 1980s that included negotiations relating to the Iranian hostage crisis.

362 Id. Jamshid told Sick that at the end of the meeting, Karrubi remarked to his cohorts, "I think we are now opening a new era. I am talking to someone who knows how to do business."

a trip to Madrid to meet his parents in September 1980; it is unclear whether he actually made

lease of Iran's frozen assets and the military equipment that had been held up." ABC-TV Nightline, June 20, 1991.

301 Hashemi dep. at 147.

think we are now opening a new era. I am talking to someone who knows how to do business." Sick, October Surprise, p. 85.

363 Hashemi dep. at 149-50.

364 Id. at 150. ABC-TV Nightline reported, based on Jamshid's account, that Karrubi told Casey that as a gesture of goodwill, the hostages would be released on Reagan's inauguration day. In exchange, the Iranians expected Casey to help them get arms. Casey thanked Karrubi and said that within the next day or so he would contact Karrubi with suggestions regarding arms and ammunition. Casey and Karrubi then again discussed the details of how to delay the release of the hostages. Casey was told that if delivery of weapons was not arranged, the hostages would not be freed. ABC-TV Nightline, June 20, 1991.

365 Hashemi dep. at 149.

<sup>65</sup> Hashemi dep. at 149.

<sup>366</sup> Id. at 150. 367 Id. at 151–52.

<sup>&</sup>lt;sup>367</sup> Id. at 151-52.

<sup>368</sup> Interview of Jamshid Hashemi, April 7, 1992. In an interview conducted by the House Task Force, a Hashemi associate for several decades claimed he was in Madrid with Jamshid Hashemi during the dates of the alleged Casey meetings. Specifically, the associate said that Jamshid approached him in Paris in mid-July 1980 claiming to possess a letter from Admiral Madani requesting funding from Saddam Hussein of Iraq to help build a force to overthrow Khomeini. The associate stated that Jamshid asked him to travel first to Madrid and then continue on to Iraq. The associate said he agreed to go with Jamshid to Madrid, where a third person joined them at the Plaza Hotel. The associate said he became suspicious of Jamshid and demanded to see the Madrid letter. Jamshid admitted the letter was faked and after a confrontamanded to see the Madani letter. Jamshid admitted the letter was faked, and after a confrontamanded to see the Madani letter. Jamshid admitted the letter was taked, and after a confrontation, the associate returned to Paris the next day. The associate claimed he later spoke to
Madani, who said Jamshid was "crazy." The associate emphasized that he was with Jamshid
the entire time they were in Madrid and there was no way he could have met with anyone else.
Reporting reflected in U.S. intelligence files indicates that Cyrus and Jamshid Hashemi may
have been conducting business in Madrid in the summer and early autumn of 1980 unrelated
to hostage negotiations. The FBI surveillance of Cyrus shows that Cyrus contemplated making

the trip.

369 Hashemi dep. at 149.

370 Id. at 158. Madani, however, stated he was unaware of any meeting involving the Hashemis, the Karrubis and Casey. Interview of Ahmed Madani, June 9, 1992. <sup>371</sup> Hashemi dep. at 158.

Ben-Menashe has asserted that he joined the "External Relations Department of the Israeli Defense Forces in military intelligence in 1977 as an Iran specialist, and was subsequently involved in Israeli decoding of Iranian communications as well as intelligence exchanges and coordination with the Shah's regime. 372 In this capacity, Ben-Menashe claims to have worked alongside prominent Israeli intelligence (Mossad) officials including David Kimche and Rafi Eitan. Ben-Menashe has also stated that he was an advisor to Israeli Prime Minister Yitzhak Shamir. 373 Ben-Menashe has alleged that in the early 1980s, he helped organize an international network of private arms dealers on behalf of the Israeli government in order to supply several billion dollars in American-made arms to Iran. 374

Ben-Menashe's allegations have not been limited to the "October Surprise" issue. Ben-Menashe claims to have had a role in the Mossad's kidnapping of a renegade Israeli nuclear technician, Mordecai Vannunu: in the Israeli raid on Entebbe Airport in Uganda in 1976; and in the Israeli attack on Iraq's nuclear reactor in 1981.<sup>375</sup> Ben-Menashe says he was the first person to leak the Iran-contra scandal to the press.<sup>376</sup> Ben-Menashe has also testified in the House Judiciary Committee's "INSLAW" investigation involving allegations of misappropriation of computer software by the Justice Department.377

In 1990, Ben-Menashe was tried and acquitted in New York on federal charges of conspiring to sell U.S.-made arms to Iran. It is Ben-Menashe who has repeatedly alleged that he saw George Bush meeting with Iranians in Paris in October 1980: those allegations

will be discussed in a later chapter.

In his deposition, Ben-Menashe testified that Mehdi Kashani. an Iranian involved in arms procurement, and the son of an important mullah, informed him in 1980 that meetings between Casey and Iranian officials had taken place in Madrid. 378 Ben-Menashe said Kashani's intent in making this report was to encourage Israel to provide Iran with arms by showing that the Republicans and the Iranians were trying to solve the crisis.379 According to Ben-Menashe, Kashani indicated he actually attended the Madrid meetings with Casey; Ben-Menashe could not recall whether Kashani mentioned the names of other participants.380 Ben-Menashe claimed that the Israeli counterterrorist advisor to the Prime Minister, Rafi Eitan, confirmed Kashani's report based on intelligence sources from the United States.<sup>381</sup>

Arif Durrani, a Pakistani arms dealer who until recently was serving a 10-year prison sentence in Connecticut for selling U.S. arms to Iran, stated that various Iranian Revolutionary Guards informed him that William Casey and Mehdi Karrubi had a meeting

<sup>&</sup>lt;sup>372</sup>See, e.g., C. Unger, "October Surprise," Esquire, October 1991, p. 100; G. Sick, October Surprise at 68-69; Interview of Ari Ben-Menashe, June 17, 1992.

373 J. Barry, "One Man, Many Tales," Newsweek, Nov. 4, 1991, p. 36.

374 S. Hersh, "Reagan is said to Have Let Israel Sell Arms to Teheran," The New York Times,

Dec. 8, 1991, pp. 1, 16.

375 Deposition of Ari Ben-Menashe, June 25, 1992, at 27–28; J. Barry, "One Man, Many Tales."

376 Barry, "One Man, Many Tales," p. 36.

377 Ben-Menashe June 25, 1992 dep. at 32.

378 Deposition of Ari Ben-Menashe, June, 24, 1992, at 239.

<sup>&</sup>lt;sup>379</sup> Id. at 240.

<sup>380</sup> Id. at 241–42.
381 Id.

in Madrid in 1980 arranged by John Shaheen. 382 Durrani said he had no other information about the alleged Madrid meeting.

### 4. THE WHEREABOUTS OF WILLIAM CASEY IN THE SUMMER OF 1980

Prior to this inquiry, an extensive effort had been undertaken by several investigative journalists to determine whether William Casey traveled to Europe during the summer of 1980 to attend alleged meetings with Karrubi in Madrid. Due to the passage of time, the lack of careful record-keeping during the campaign period, and perhaps willful efforts to obscure the facts, this presented an extremely difficult task.

When Jamshid Hashemi first alleged to Gary Sick that Casey had met Karrubi in Madrid he recalled the meetings as being in July and August of 1980, but could not fix a more precise date. 384 Sick, using research by ABC-TV's Nightline that was derived from Madrid hotel records in which the Hashemi brothers' aliases appeared, concluded that "the dates of [the Hashemis] visit to Madrid could be narrowed to the week of July 25-August 2, with July 25-

29 as the most probable dates of the meetings.

Early reports indicated that Casey's whereabouts from July 26 to July 30 simply could not be accounted for in the public record.<sup>386</sup> Later, it was confirmed that Casey traveled to England at the end of July to attend an Anglo-American historical conference on the Second World War and to present a paper there on OSS operations during the war.<sup>387</sup> According to the early press reports, Casey delivered the paper on July 29, and was back in Washington by July 30.388

Further examination of conference records and interviews with conference participants and organizers, however, has not conclusively resolved the issue of Casey's exact whereabouts on July 26, 27, and 28. Jonathan Chadwick, administrator of the Imperial War Museum, recalled that Casey arrived at the conference, unexpectedly early, on the morning of the 28th. 389 As late as the 25th, Chadwick had anticipated Casey would arrive on July 29, because Casey apparently had developed a last-minute scheduling dif-

<sup>382</sup> Interview of Arif Durrani, May 13, 1992 (State Community Corrections Facility, Bridgeport,

Conn.)

383 See, e.g., ABC-TV Nightline, June 20, 1991; PBS-TV Frontline, April 7, 1992; Sick, October Surprise at 81.

384 G. Sick, October Surprise, p. 250, n. 24.

385 Id. Since Jamshid Hashemi has never fixed precise dates in July or August for the meetings, the investigation, in coordination with the House Task Force has embarked on an effort to account for Casey's whereabouts for every day in the summer of 1980. The results of this inquiry are summarized in the July and August 1980 calendars attached at Exhibits 16 and

<sup>17.

386</sup> ABC-TV Nightline, June 20, 1991.

387 See "Making of a Myth," Newsweek, November 11, 1991, p. 24; Sick, October Surprise, p. 81; PBS-TV Frontline, April 7, 1992. The first indication that Casey was not in the United States during this time period came from a New York Times news story dated July 30, 1980 which noted: "A spokesman at Reagan headquarters said the national campaign chairman, William Casey, would begin negotiations with the Right to Life group when he returned today from a trip abroad." M. Carroll, "Right to Life Leaders Say Choice of Bush Bars Backing of Reagan," The New York Times, July 30, 1980, p. B6.

388 Interview of Robert Dallek, July 13, 1992; interview of Arthur Funk, July 13, 1992; "Making of a Myth," Newsweek, November 11, 1991, p. 24.

389 PBS-TV Frontline, April 7, 1992. According to Newsweek, records from the Royal Army Medical College near the Imperial War College indicated that Casey was billed for a room for July 27 and 28 and for meals on the 28th and 29th. "Making of a Myth," Newsweek, November 11, 1991, p. 24.

<sup>11, 1991,</sup> p. 24.

ficulty. 390 Historian Robert Dallek specifically remembered looking for Casey the morning of the 28th when Dallek made his own presentation and not seeing him until late that afternoon at a cocktail reception.<sup>391</sup> Professor Arthur Funk recalled seeing Casey for the first time at the reception on the afternoon of the 28th, then again on the morning of the 29th, when Casey delivered his paper—but did not see him thereafter at the conference. 392 In light of the confusion surrounding Casey's trip to the conference, PBS-TV Frontline reported that there was no evidence, beyond a notation on a personal calendar kept by Casey's secretary (that Frontline claimed had proved inaccurate before) to conclude that Casey was still in the United States on July 26.393 Thus, prior to the congressional "October Surprise" investigations, a few narrow "windows of opportunity" remained open during which Casey theoretically could have made the trip to Madrid—a 90 minute flight from London—met Karrubi, and returned in time to attend the rest of the conference.

A full-scale independent examination of evidence relating to Casev's trip to England has not been attempted here; such an effort would have required, at a minimum, travel by staff to the United Kingdom (and perhaps Spain) to review documents and conduct interviews. Documents and testimony from more accessible sources in the United States, however, have been reviewed.<sup>394</sup> This material is helpful in making some preliminary conclusions as to Casey's behavior and habits, though a final resolution of this issue remains elusive.

As a preliminary step, several high-ranking Reagan campaign officials were questioned as to their knowledge of Casey's travel and activities generally during the campaign. Richard Allen testified that he traveled by Concorde jet to London on July 1, 1980 where he joined Casey and his friend Albert Jolis, a New York businessman.<sup>395</sup> Allen testified that in London they met with Margaret Thatcher, various British journalists, and "Republicans Abroad" members.396 The three men continued on to Paris on July 3, 1980; Allen recalled that he returned to the United States with Casey on July 5, 1980.<sup>397</sup> Allen could not recall having contemporaneous knowledge that Casey traveled to London a second time in July 1980 to attend the historical conference. 398 Edwin Meese III, the Reagan campaign's chief-of-staff, vaguely recalled Casey having made two trips to England in the summer of 1980. 399 Meese said Casey did not keep a journal and given the hectic tempo of the

<sup>390</sup> House Task Force interview of Jonathan Chadwick, June 4, 1992.
391 Interview of Robert Dallek, July 13, 1992.
392 Interview of Arthur Funk, July 13, 1992.
393 PBS-TV Frontline, April 7, 1992.
394 The subcommittee investigation has cooperated with the House Task Force in attempting to obtain information on Casey's whereabouts. House and Senate investigators have sought records from such sources as: credit card companies, airlines, Spanish customs, United Kingdom Immigration Service, and the United Kingdom Civil Aviation Authority. For the most part, the search for records has not been fruitful, given the passage of time since the events in question. The investigation questioned the senior CIA official responsible for matters pertaining to Spain from 1979 to 1981. He had no knowledge that Casey visited Madrid in 1980, but noted that the CIA would not have been following his movements anyway. Interview of senior CIA official, July 10, 1992.

official, July 10, 1992.

<sup>&</sup>lt;sup>395</sup> Allen dep. at 52.

<sup>&</sup>lt;sup>396</sup> Id. <sup>397</sup> Id.

<sup>398</sup> Id. at 62.

<sup>399</sup> Interview of Edwin Meese III, April 8, 1992.

presidential race, did not make firm appointments. 400 Meese stated he was usually aware of Casey's location at any given time during the campaign. 401 Robert Carter, a Casey acquaintance from previous Republican presidential campaigns who served as a special assistant to Casey in 1980, had no knowledge that Casey traveled to Europe during the 1980 race and doubted the campaign director had the time to do so. 402 Stephan Halper, who worked under Meese at the Arlington, Virginia. Reagan campaign headquarters tracking press developments, recalled that Casey's whereabouts were generally uncertain, and that few people actually knew what he was doing at any given time. 403

Jonathan Chadwick was interviewed in England by House Task

Force investigators. Chadwick provided information on the World War II conference and Casey's participation therein. Chadwick's attendance chart for the speeches and proceedings, containing pencil checks (or "ticks") for Casey's anticipated appearances, ink checks for his actual appearances, and "X" marks for absences, created confusion; the only clear conclusion to be drawn was that Chadwick had noted "4 p.m." next to an "X" for the afternoon session on the 28th, indicating, as Chadwick recalled, that Casey walked into the

session (which had begun at 2:30) late, at 4:00 o'clock.404

Darrell Trent, a Reagan campaign staffer based in Los Angeles, testified that William Casey was his weekend guest at the Bohemian Grove, an all-male club retreat near Santa Rosa, California, in late July or early August 1980. Trent was a member of the club. Trent recalled traveling to Bohemian Grove on the weekends of July 25-27, 1980 and August 1-3, 1980.406 On one of these two weekends—Trent could not be absolutely sure which one—Casey accompanied him to Bohemian Grove.407 Trent testified that his best recollection was that Casey was at Bohemian Grove in the "Parsonage Camp" on the weekend of July 25-27, but Trent could not rule out the August weekend. 408 Trent recalled meeting Casey on a Friday in Los Angeles at Casey's campaign office there and then flying with Casey to San Francisco en route to Bohemian Grove. Trent recalled that at the end of the weekend with Casey at Bohemian Grove, on a Sunday afternoon, Trent drove Casey to San Francisco International Airport; Trent stated that he believed Casey mentioned taking a flight to London.410

Matthew McGowan stated he was present at the "Parsonage Camp" at Bohemian Grove on all three weekends—July 18-20,

<sup>400</sup> Id. 401 Id. Meese told *The Washington Star* in July, 1980 that Casey "keeps a little satchel in his office with clean shirts and shaving gear so he can go anywhere—Detroit, Houston, wherever—at a moment's notice." J. Dickenson, "Casey, the Take-Charge Boss," *The Washington Star*, July

<sup>14, 1980,</sup> p. C1.

402 Interview of Robert Carter, April 16, 1992.

403 Interview of Stephan Halper, March 31, 1992.

404 House Task Force interview of Jonathan Chadwick, June 4, 1992.

405 House Task Force deposition of Darrell Trent, July 31, 1992.

406 Id. The Bohemian Grove encampment for 1980 spanned three weekends: July 18–20, July

<sup>25-27</sup> and August 1-3.

407 Id. at 7. Trent indicated that he had contacted the Bohemian Club to request records and was informed that 1980 records had been destroyed. Id. at 9. The investigation interviewed Dick Arnold, a volunteer public relations contact for the Bohemian Club in San Francisco who confirmed that 1980 records no longer exist. Interview of Dick Arnold, August 27, 1992.

408 Trent dep. at 7. Trent said he recalled spraining his knee on the August 1–3 weekend and does not recall Casey being there during that time. Id. at 30.

<sup>&</sup>lt;sup>409</sup> Id. at 8. <sup>410</sup> Id.

July 25–27, and August 1–3.<sup>411</sup> McGowan recalled seeing Casey at the Grove, and said he was only there for a short time.<sup>412</sup> McGowan's said that Casey and Trent left early on a Sunday morning to catch a plane at San Francisco Airport.<sup>413</sup> McGowan surmised, but could not be sure, that Casey and Trent departed on the morning when the Bohemian Grove "broke camp" to close for the season, which was August 3.<sup>414</sup>

Among telephone logs and other notes produced to the investigation by Richard Allen, two entries shed further light on Casey's whereabouts. On August 1, 1980, Allen noted having attended a meeting with Ronald Reagan at 10:00 a.m; also present at the meeting, according to Allen's schematic diagram of the seating arrangement at the meeting, were Casey, Trent, Weinberger, Alan Greenspan, George Shultz and several other important campaign officials. The meeting took place in Los Angeles. On August 2, 1980, in the evening, Allen noted a phone call from "Bill Casey—516 621 9332." The 516 area code is in Long Island, New York.

Joseph D. Baroody stated that he believed Casey was briefly in attendance at the funeral of his father, William J. Baroody Sr., in Alexandria, Virginia on the morning of August 1, 1980, around 10:30 a.m.<sup>417</sup> Baroody said he vaguely recalled exchanging words with Casey at the funeral.<sup>418</sup> Baroody said he did not think Casey remained for the burial or reception later that morning.<sup>419</sup> Baroody said he knew Casey fairly well from previous business.<sup>420</sup> Baroody noted that while he was sure Casey made an appearance at one of the events following his father's death, it was possible Casey may have attended the wake for his father on one of the two evenings prior to the funeral.<sup>421</sup> William Baroody II and Michael Baroody, brothers of Joseph Baroody, and their sister, Helene Payne, had no recollection of Casey attending the funeral.<sup>422</sup> Tom Casey, William Casey's personal driver (no relation) during part of the 1980 campaign, said he recalled Casey mentioning the funeral but had no specific recollection that Casey actually attended.<sup>423</sup>

Barbara Hayward, one of Časey's personal assistants during the campaign, vaguely recalled Casey's participation in the London conference but could not recall handling any of the travel arrangements or other preparations for the trip. 424 Hayward said she believed that travel arrangements were made by the campaign's

<sup>&</sup>lt;sup>411</sup> Interview of Matthew McGowan, September 11, 1992.

<sup>&</sup>lt;sup>412</sup> Id. <sup>413</sup> Id.

<sup>414 [2]</sup> 

<sup>&</sup>lt;sup>415</sup>D. Wood, "Reagan, Advisers Deny Slump is Easing," Washington Star, August 2, 1980, p.

<sup>&</sup>lt;sup>416</sup>In a deposition conducted by the House Task Force on September 1, 1992, Allen said he had no specific recollection of Casey's presence at the campaign meeting in California on August 1, 1980, or of actually reaching Casey in Long Island on the night of August 2, 1980. Allen maintained, however, that he had no reason to doubt the accuracy of his notes in placing Casey at the meeting, and said the phone notation would have been the number he dialed in order to call Casey.

<sup>&</sup>lt;sup>417</sup>Interview of Joseph D. Baroody, September 3, 1992.

<sup>418</sup> Id.

<sup>419</sup> Id.

<sup>&</sup>lt;sup>420</sup> Id.

<sup>&</sup>lt;sup>421</sup> Id.

<sup>&</sup>lt;sup>422</sup> Interview of William Baroody II, September 2, 1992; Interview of Michael Baroody, September 2, 1992; Interview of Helene Payne, September 2, 1992.

<sup>&</sup>lt;sup>423</sup> Interview of Tom Casey, September 3, 1992. <sup>424</sup> Hayward dep. at 15.

central office, and that receipts were routed to the campaign for reimbursement. 425 Hayward speculated that Casey would have financed the London conference trip on his own. 426 Hayward said there was a lull in activity following the Republican National Convention in mid-July that would have afforded Casey the time to make the trip. 427 Hayward described Casey as somewhat disorganized, but quite meticulous in keeping records relating to his personal finances. 428 Hayward said she did not attempt to maintain a record of all of Casey's activities. 429 Hayward and Mary Costelio, Casey's other personal assistant at that time, used a calendar to note upcoming appointments, but it was not intended to record each and every event on Casey's schedule. 430

The investigation reviewed the Casey McLean materials pertaining to Casey's schedule in late July and early August. Casey's 1980

Monthly Minder indicates the following appointments:

```
10:00 o'clock "Bay, Verne, [illeg] etc."
             11:00 "Marsh"
             11:00 "Mrs. Tobin:"
July 26
July 30
             10:30 "Mike Duval"
             3:30 "Max-Washington."
             6:00 [illeg]-Madison, 6:45 "George Bush, Alibi Club."
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There are no entries on the Monthly Minder for July 27-29, or August 1-4. Casey's "Standard Diary-1980" in which his secretaries recorded incoming telephone calls, is blank from July 25-August 5. Finally, the loose calendar pages include the following notations:

```
10:00 "Bay Buchanan et al"
July 25
             11:00 "John Marsh"
             3:30 "Max-Washington"
July 30
             6:45 "Dinner-George Bush-Alibi Club"
August 1
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The pages for July 28-29 are blank. As noted in Chapter II, the loose calendar pages for July 26 and July 27 are missing. In an interview, Bay Buchanan, the Reagan campaign treasurer, indicated that the July 25 appointment would have been in the Washington, D.C. area.431

Arthur Funk, a University of Florida historian who organized the American side of the Anglo-American Conference on the History of the Second World War, produced copies of his correspondence with Casey concerning the conference. The correspondence indicates that in January 1979 Funk first invited Casey to deliver a paper on Secret Operations, and Casey accepted before he became campaign manager for Reagan. 433

Funk and Casey corresponded periodically throughout 1979 and early 1980 regarding Casey's planned participation. Funk circulated an update to the program participants dated April 24, 1980 that included the following paragraph on Casey: "Mr. Casey has

<sup>425</sup> Id. at 10-11.

<sup>&</sup>lt;sup>426</sup> Id. at 15.

<sup>&</sup>lt;sup>427</sup> Interview of Barbara Hayward, July 22, 1992. <sup>428</sup> Id.

<sup>429</sup> Id.

<sup>&</sup>lt;sup>431</sup> Interview of Bay Buchanan, September 14, 1992.

<sup>432</sup> Interview of Arthur Funk, July, 1992.

<sup>&</sup>lt;sup>433</sup> See Exhibit 18; Interview of Arthur Funk, July 13, 1992.

been acting in recent months as campaign manager for Ronald Reagan. He will be very much involved with the convention scheduled for July 14. It may be that this involvement will alter his ability to participate in the meeting, but he has not yet informed me of his plans." <sup>434</sup> On April 29, 1980, Funk wrote Casey enclosing materials on the program, noting "I have of course been wondering how busy you are going to be with the Reagan campaign. With the convention coming up on July 14, if all goes well—as I am sure it will—you might relish a holiday in London at the end of the month." <sup>435</sup> Funk recalled that Casey told him that if he could attend, he would travel by Concorde and would stay only a day or two. <sup>436</sup> Funk dined with Casey and his wife Sophia in Washington on June 28, 1980, and Casey confirmed he planned to attend, subject to a last minute cancellation due to a campaign exigency. <sup>437</sup>

House Task Force investigators reviewing documents at the Casey house in McLean, Va. located an invoice/statement to Casey addressed to his law firm, Rogers & Wells in New York, from Hatchard's, a Picadilly, London bookstore showing that Casey purchased four books there on July 28, 1980. The invoice suggests Casey must have arrived in London at least a few hours before the late afternoon cocktail reception at the Imperial War College, in

order to allow time for such book shopping.

House Task Force investigators also found an American Express credit card receipt dated July 29, 1980 for the Eastern Airlines Shuttle signed by William Casey. This receipt, taken in conjunction with Funk's recollection of Casey's travel plans, indicates that most likely, Casey returned to the United States by Concorde arriving at New York's Kennedy Airport, then took the Shuttle later that

evening from La Guardia Airport to Washington, D.C.

At this time, the evidence on Casey's whereabouts on July 25–27 and August 1–3 is essentially in equipoise. If Allen's log and Trent's recollection are both accurate, it would appear more likely that the weekend of July 25–27 was the one in which Casey went to Bohemian Grove, particularly since by Allen's note he seems to be in Long Island on the night of Saturday, August 2. Moreover, Allen's information, taken in conjunction with the loose calendar page for August 1 that says "L.A." would suggest Casey returned to California separately on August 1, probably for only a day of campaign-related meetings. On the other hand, the Casey Monthly Minder appointments noted on July 25 and 26, and McGowan's recollection, would support an inference that Casey went to Bohemian Grove on August 1–3.

It seems clear that Casey's late July trip to England was not merely a pretext. Casey contemplated making the trip long before the campaign even began, and was known to have a genuine interest and expertise in the subject matter of the conference. The confusion among conference participants and organizers over Casey's expected itinerary and arrival date may be explained by the fact that Casey was apparently uncertain, until the last moment, that

<sup>434</sup> See Exhibit 18.

<sup>435</sup> Id.

<sup>436</sup> Interview of Arthur Funk, July 13, 1992.

<sup>438</sup> See Exhibit 19. Casey bought the following titles: Top Secret, Special Operations Europe, Who Dares Wins, and Master of Deception.

he would be able to attend. But other aspects of the trip are more difficult to explain. Casey handled the arrangements himself (not the usual procedure) and apparently informed very few people of the fact he was going to England. This behavior was, according to

his secretary, somewhat out of character for Casey.

It is extremely unlikely, however, based on all of the evidence presently available—including Trent's recollections, the Allen telephone logs, statements by conference participants—that Casey traveled from London to Madrid and back again (or from the U.S. to Madrid to London) sometime between July 26 and July 29, and attended meetings on 2 consecutive days, as Jamshid alleges. Of course, Casey's missing 1980 passport would be highly relevant in

making any final conclusions.

There is some evidence that while in England, Casev may have engaged in hostage-related discussions. Two international arms dealers, Dirk Stoffberg and Reiner Jacobi, have claimed they met with Casey in England during the summer of 1980 to discuss the Iranian hostage situation. Stoffberg, a South African, told investigators that he received a phone call from British Intelligence in the summer of 1980 and he traveled to London immediately. Stoffberg said he was told by a British agent that "the Americans need help and assistance." Stoffberg said he was taken to the Capitol Hotel and was there introduced by the agent to Reiner Jacobi, who claimed to be from the U.S. Secret Service. Later, Jacobi brought Stoffberg to a dinner with Casey. Over a dinner which lasted 3 hours, Stoffberg said that Casey asked him to supply South African-made weapons to the Iranians; Casey said Jacobi would be at Stoffberg's disposal and would know what to do. 439 Stoffberg told PBS-TV Frontline that Casey wanted the Iranian hostages released and that "we had to use whatever methods we could with the Iranians and the Iranians wanted weapons." 440 According to Stoffberg's attorney Thomas Dunn, Stoffberg's passport shows he entered London on August 11, 1980.441 In November 1991, Stoffberg pleaded guilty to Arms Export Control Act violations in the Eastern District of New York. Judge Weinstein ordered a downward departure from the Federal guideline sentence for Stoffberg, based on a recommendation letter from the House Foreign Affairs Committee counsel crediting Stoffberg for providing information on the "October Surprise" allegations. 442 Jacobi has generally confirmed the Casey meeting as described by Stoffberg. Jacobi is under indictment in Florida for arms export violations and is presently a fugitive.

<sup>&</sup>lt;sup>439</sup> See Transcript of Dirk Stoffberg Interview with Representative Ted Weiss and R. Spencer Oliver, January 20, 1992.

 <sup>440</sup> PBS-TV Frontline, "Investigating the October Surprise," April 7, 1992.
 441 See November 18, 1991 letter from Thomas Dunn to Reid Weingarten.
 442 See U.S. v. Stoffberg, Cr. No. 91-524 (E.D.N.Y), Jan. 14, 1992, tr. at 31.



# CHAPTER VII.—THE L'ENFANT PLAZA HOTEL MEETING

#### 1. OVERVIEW

The L'Enfant Plaza Hotel meeting is significant in that it is the only instance in which high-ranking Reagan campaign operatives have publicly acknowledged contact with a purported representative of the Khomeini regime in connection with the hostage issue. Some of the basic facts concerning the meeting are clear: two Reagan campaign foreign policy advisors, Richard Allen and Laurence Silberman, and a Senate aide, Robert McFarlane, met briefly in the fall of 1980 in the lobby of the L'Enfant Plaza Hotel in Washington, D.C. with a man claiming to speak for the Iranian government. The topic of the hostages was discussed. The meeting concluded after a short time.

Beyond these basic details, the origin and purpose of the meeting remain uncertain. The participants themselves have put forth a variety of divergent—and often conflicting—accounts of the facts regarding the meeting.

## 2. EARLY ACCOUNTS BY THE PARTICIPANTS

On April 12, 1987, the Miami Herald reported that Richard Allen, Laurence Silberman and Robert McFarlane met in October 1980 at the L'Enfant Plaza to confer secretly with a man who claimed to represent the Iranian government and who offered to arrange the release of the 52 hostages to the Reagan campaign. According to the article, Allen, Silberman and McFarlane were unable to recall the identity or the nationality of the alleged Khomeini representative. Silberman said "there was discussion about somehow releasing the hostages to the Reagan campaign or under the auspices of the Reagan campaign \* \* \* to humiliate Carter and influence our election," but that Silberman had abruptly dismissed the emissary by referring him to the Carter Administration, stating, "We have one president at a time."

hostages on the brain ever since."

444 Chardy, "Reagan Aides, in 1980, held hostage talks." In a letter to the editor of *The Miami Herald* dated September 1, 1987, Silberman recalled that the meeting took place in September 1980. In the letter, Silberman asserted that while the emissary "might have been a North African rather than an Iranian," he was sure that he was not "an officer or official of the Iranian government." Silberman further noted that the emissary "did, however, purport to have contacts with Khomeini's subordinates and suggested the prospect of gaining release of the hostages if

Continued

<sup>&</sup>lt;sup>443</sup> A. Chardy, "Reagan Aides, in 1980, held hostage talks," Miami Herald, April 12, 1987, p. 1A. Chardy said he based his article on a column by William Safire. See Safire, "Enough Already," New York Times, November 24, 1986, p. 19. Safire wrote: "Robert McFarlane first approached the Reagan campaign in the summer of 1980 with an Iranian in tow who proposed to deliver our hostages to Mr. Reagan rather than President Carter, thereby swinging the U.S. election. The Reagan representatives properly recoiled, but Mr. McFarlane has had Iranian-held hostages on the brain ever since."

Richard Allen, testifying in the Brenneke trial in May, 1990, placed the meeting in the summer of 1980; Allen was unsure whether the emissary was an Iranian or an Egyptian.<sup>445</sup> Allen testified that he had no advance notice that the meeting would concern the hostage issue, but that he asked Silberman along as a witness in the event the topic of the hostages came up.<sup>446</sup> Allen said there was no discussion during the meeting of releasing weapons purchased by Iran in exchange for the hostages.<sup>447</sup>

Appearing on the PBS-TV Frontline program in April 1991,

Allen further recalled the circumstances of the meeting:

What happened was that Bud McFarlane called me several times in an attempt to get me to meet with someone about the Iranian problem. I said to McFarlane, "I'll meet you in the L'Enfant Plaza Hotel, but only in the lobby, where there's plenty of people out there." And I was introduced to this very obscure character whose name I cannot recall. Eventually I will find the memorandum that I wrote on this meeting but I haven't been able to find it yet. And the individual was either an Egyptian or an Iranian or could have been an Iranian living in Egypt. And his idea was that he had the capacity to intervene to deliver the hostages to the Reagan forces. Now, I took that to mean that he was able to deliver the hostages to Ronald Reagan, candidate for the presidency of the United States, which was absolutely lunatic, and I said so.<sup>448</sup>

## 3. THE UNKNOWN EMISSARY: TWO MEN STEP FORWARD

Two individuals, Houshang Lavi and Ari Ben-Menashe, have come forward claiming to have met with Allen, McFarlane and Silberman at the L'Enfant Plaza. In addition, several other names have been suggested for the unknown emissary. Lavi, a wealthy international arms dealer, was an Iranian expatriate who became a United States citizen in 1988, a year before his death. Ben-Menashe is an Israeli national living in Australia who claims to have served as an intelligence officer in the Israeli defense forces.

Mitchell Rogovin, a Washington attorney who was retained by Lavi on several legal matters in the 1970s, testified that Lavi approached him during the fall of 1980 with an idea regarding the hostage crisis. At the time, Rogovin was serving as general counsel to the John Anderson presidential campaign. Rogovin testified that on September 29, 1980, Lavi unexpectedly telephoned Rogovin with a proposal to exchange military spare parts and oil for the release of the hostages. Sometime prior to this call, Lavi had come to possess a "wish list" of munitions needed by the Iranian military. Rogovin recalled that Lavi's agenda was not so much a po-

450 Id. at 11.

they could be released to representatives of candidate Ronald Reagan rather than President Jimmy Carter." Silberman continued, "[a]s soon as what he had in mind became apparent, Dick Allen and I completely and decisively cut off the discussion without any further effort to determine his bona fides."

<sup>445</sup> Brenneke Trial Trans. Vol IV at 412, 414.

<sup>446</sup> Id. at 464. 447 Id. at 415.

<sup>448</sup> PBS-TV Frontline, "An Election Held Hostage," April 16, 1991. 449 Deposition of Mitchell Rogovin, June 25, 1992, at 10.

litical one but rather that he hoped to position himself in the future as an arms broker.

Rogovin considered Lavi's proposal to be of interest to the government, and therefore contacted the CIA Deputy Director for Operations, John MacMahon, with the information. 451 On October 2. 1980, Rogovin, Lavi, a CIA officer, and David Aaron, a National Security Council official, met at Rogovin's office in Washington for about 45 minutes to discuss the proposal. 452 Nothing came of the meeting, and the next day the CIA indicated it had no interest in Lavi. 453 Rogovin then offered Lavi's proposal to the State Department. On October 8, 1980, Rogovin accompanied Lavi for a meeting with Harold Saunders and Roberts Owen. 454 The State Department was somewhat more receptive, and continued to communicate with Rogovin through the remaining weeks of October. Lavi purported to have telephone contacts with President Bani-Sadr in Iran, and at one point suggested that the Iranians were prepared to release Bruce Laingen, the U.S. charge d'affaires. 455 Ultimately, it became apparent to Rogovin that the State Department was skeptical of Lavi's bona fides, and the proposal lapsed. 456

In interviews with the press years later. Lavi claimed that after he was rebuffed by the Carter Administration, he made a similar approach to the Republicans. In April 1989, Lavi told journalist David Marks that he contacted the Reagan campaign through James Baker, who referred him in turn to Silberman, Allen and McFarlane. 457 Lavi claimed that he participated in a meeting at the L'Enfant Plaza with the three men on October 2, 1980. According to Lavi, the Republicans rejected his proposal. Lavi said "Silberman, as I recall, he told me that we have a president at a time. I don't know what he meant by that, but to the best of my recollection, and as I understand from McFarlane at the time, there were negotiations to make a deal with the Iranians." 458 Lavi explained: "In so many words, I understood that they don't need me. In so many words I understood that they have their own contacts." 459

Lavi's brothers, Jamshid and Parviz, and widow, Debbie, were interviewed. Lavi's son, Nasser, refused to provide any information. Jamshid Lavi recalled that around the time of the Iran-Iraq war, Houshang said he had met with Tower and McFarlane. Jamshid said Houshang also mentioned Baker, but not Allen.460 Jamshid said Houshang speculated that the hostages would be released to the Republicans after the election because Carter "did not know how to deal" and because the Iranians had no incentive to reward Carter with their release anyway.461 Parviz recalled only that Houshang mentioned the names McFarlane and Allen many times and that he claimed to have met them on occasion in Washing-

<sup>461</sup> Id.

<sup>451</sup> Id. at 12-13.

<sup>452</sup> Id. at 15. 453 Id. at 19.

<sup>454</sup> Id. at 23.

<sup>455</sup> Id. at 25-26.

<sup>456</sup> Interview of Mitchell Rogovin, April 10, 1992. 457 D. Marks, Transcript of 4/14/89 Houshang Lavi interview, at 2.

<sup>459</sup> Id. See also PBS-TV Frontline, "An Election Held Hostage," April 16, 1991. 460 Interview of Jamshid Lavi, April 30, 1992.

ton. 462 Debbie Lavi said that around 1986. Houshang mentioned he had met with James Baker in 1980.463 Sanford Greenberg, a friend and business associate of Lavi's from Las Vegas, said that he and Lavi frequently discussed the hostage crisis in 1980. Greenberg said Lavi told him in general terms about his efforts to free the hostages. Lavi told Greenberg that the government had declined his offer. Greenberg did not recall Lavi ever mentioning any contacts with the Republican party.464

Lavi never mentioned any contacts with McFarlane. Allen or Silberman to Rogovin. 465 Rogovin testified that it would have been out of character for Lavi to have pursued negotiations with the Republicans without informing him. 466 In reference to the alleged October 2 meeting date, Rogovin said he could not "conceive that he would meet with me in the morning and undercut what we were attempting to do by meeting with McFarlane, Silberman, Allen, etc. in the afternoon and not say anything to me." 467 Rogovin testified, however, that Lavi was "bursting to get this information out" and would talk to anyone who would take his proposal seriously.468

Rogovin's diary indicates Lavi mentioned possible contact with Republicans. On October 6, for example, Rogovin noted that Lavi had talked to a Robert Carter; alongside that notation Rogovin wrote "(Reagan camp/not interested in.\* \* \*"469 On October 13, underneath a column marked "Houshang:" Rogovin wrote, "Reagan is his contact" (emphasis in original). 470 On October 15, Rogovin noted that "Lavi wants to bring the matter to Reagan/I told him I would not be opposed to it if we felt it was going nowheres." <sup>471</sup> Lavi also requested that Rogovin contact George Bush (a friend of Rogovin's) with the proposal, but Rogovin refused. 472 Rogovin testified that he had no knowledge that Lavi actually made or even attempted to make any of the overtures suggested by the diary entries.473

Ben-Menashe testified that he participated in a meeting at the L'Enfant Plaza Hotel in October 1980.474 Ben-Menashe claimed the meeting was arranged by Israeli intelligence at the insistence of Republicans who sought a low-level meeting with an Iranian representative in Washington. 475 The point of the meeting was for the Republicans to hear directly the terms of an arms-for-hostages deal that had been worked out in Amsterdam, according to Ben-

<sup>&</sup>lt;sup>462</sup> Interview of Parviz Lavi, May 11, 1992. <sup>463</sup> Interview of Debbie Lavi, June 17, 1992.

<sup>464</sup> Interview of Sanford Greenberg, April 1, 1992.

<sup>465</sup> Rogovin dep. at 17-18.

<sup>466</sup> Id. at 19. 467 Id. at 18.

that 18.

468 Id. at 22. Alton Frye, who served as policy director for the Anderson campaign, recalled that Rogovin sought his advice on handling the Lavi proposal. Interview of Alton Frye, April 13, 1992. Frye was involved in the October 8, 1980 meeting with Harold Saunders. Id. It was Frye's understanding, based on conversations with Rogovin, that Lavi had approached the Anderson campaign after having unsuccessfully attempted to interest both the Carter Administration and the Reagan campaign. Id.

<sup>469</sup> Rogovin dep. at 21. Robert Carter served as an assistant to William Casey during the 1980 campaign, and later headed Republicans Abroad. He denied having ever met or spoken to Houshang Lavi. Interview of Robert Carter, May 27, 1992.

<sup>&</sup>lt;sup>470</sup> Interview of Mitchell Rogovin, April 10, 1992.

<sup>&</sup>lt;sup>471</sup> Rogovin dep. at 34. <sup>472</sup> Id. at 22, 29, 38. <sup>473</sup> Id. at 21, 22, 35.

<sup>&</sup>lt;sup>474</sup>Ben-Menashe June 25, 1992 dep. at 7, 10. <sup>475</sup> Interview of Ari Ben-Menashe, June 17, 1992.

Menashe, in September 1980 between Israeli intelligence officials and Iranian government representatives. 476 Ben-Menashe said an Israeli intelligence "asset" in the United States—Houshang Lavi arranged the meeting with McFarlane. Silberman and Allen; Ben-Menashe said he escorted Dr. Ahmed Omshei, an Iranian Defense Ministry aide, from Frankfurt to Washington for the meeting.477 During his testimony, Ben-Menashe identified a handwritten note that he claimed he and Lavi dictated to a secretary from the Israeli consulate in New York. 478 The note purports to set forth the details of the L'Enfant Plaza meeting and reads: "Oct. 2, 80. Eastern Shuttle to D.C. E. Plaza Hotel. Ring telecon with J. Baker to meet Silberman, Allen, Bob McFar. 40 page document F14 parts already paid for in return of hostages. Swap in Karachi. Charter 707." 479 Ben-Menashe testified he later placed the note in an Israeli government file.480

It was Jamshid Hashemi's understanding, based on "Iranian intelligence sources," that Lavi arranged to bring Ahmed Heidari, then Iran's military attache in Paris, to the L'Enfant Plaza meeting.481 Hashemi said the meeting was intended to bolster Heidari's and Lavi's standing with the Iranian government by demonstrating that they were well-connected with American political figures.<sup>482</sup>

#### 4 RHETT DAWSON

In September 1980. Rhett Dawson was Minority Staff Director of the Senate Armed Services Committee. Dawson recalled that someone contacted Senator John Tower's office interested in talking about the hostages and hostage transfers. Dawson described him as "a walk-in" and a Middle Easterner. The individual mentioned his links to Khomeini. Dawson did not personally meet him, and was not aware of his name. Dawson speculated that the call may have been handled by a secretary or perhaps by Tower's administrative aide.483

Dawson spoke to Tower about the Iranian contact, and Tower said Robert McFarlane, an Armed Services committee staffer, should get the Republican campaign involved. McFarlane in turn contacted Richard Allen. McFarlane reported back to Dawson after

 <sup>476</sup> Ben-Menashe June 25, 1992 dep. at 7; interview of Ben-Menashe, June 17, 1992.
 477 Ben-Menashe June 25, 1992 dep. at 8-9.

<sup>&</sup>lt;sup>478</sup> Id. at 10-12. 479 Ben-Menashe June 25, 1992 dep., exh. No. 4.

<sup>&</sup>lt;sup>480</sup> Id. at 12. <sup>481</sup> Interview of Jamshid Hashemi, April 7, 1992. 482 Id. In Nest of Spies, historian Amir Taheri notes:

The mullahs had tried to open their own channel to the Reagan White House but had failed on two occasions. The first was in October 1980, before the U.S. presidential election. Hadi Ha'eri, an Irano-American dual national, had then been asked by Khomeini's son Ahmad to contact "the future ruler" of the United States with a view to discussing a "fresh start." Ha'eri contacted Robert McFarlane, who was to become a key member of the NSC after the election, and through him met Richard Allen and Lawrence J. Silof the NSC after the election, and through him met Richard Allen and Lawrence J. Silberman, two of Reagan's principal advisors at the time, at the Embassy Row Hotel in Washington. At the meeting Ha'eri said that Khomeini would delay the release of the American hostages in Tehran until after the election so that Reagan would be "sure of getting elected." The two men responded by describing Khomeini's policy as "criminal and crazy" and said they were not prepared to discuss the U.S. election with outsiders. Ha'eri did not report this negative reaction to Tehran because he was sincerely interested in improving Irano-U.S. relations.

A. Taheri, Nest of Spies: America's Journey to Disaster in Iran (N.Y.: Pantheon Books, 1988) pp. 157-58. Taheri cites a interview with Ha'eri in 1987 as the source for this information.

meeting with the individual. McFarlane told Dawson the individual had not seemed credible, lacked credentials and had nothing to offer 484

#### 5 RICHARD ALLEN

Richard Allen testified that he recently located a memorandum to the file he wrote dated September 10, 1980 that describes the meeting at the L'Enfant Plaza Hotel and the events leading up to it. 485 The following is a verbatim text of the memo as provided to the investigation by Allen:

Today at 11:42 Mike Butler, Senator Tower's office called me to ask me if I could meet with him to discuss a confidential matter. Subsequently, at about 12 o'clock he and Bud McFarlane came to the office and we drove back down to the Hill.

On the way, they told me about their meeting with a Mr. A.A. Mohammed, a Malaysian who operates from Singapore and who came to them via an old friend of Senator Tower's. Mr. Mohammed is apparently influential and/or active in the Islam religious movement.

This afternoon, by mutual agreement, I met with Messrs. Mohammed, Butler and McFarlane, I also took Larry Silber-

man along to the meeting.
As it turns out, Mr. Mohammed claims to have a scheme which has ostensibly received the approval of Ayatollah Khomeini to release the hostages once the son of the Shah's returned to Iran and installed as a figurehead monarch. Larry and I indicated our skepticism about the possibility of such an exercise, especially since it also involves the release of the hostages. We repeatedly stressed that we could nothing (sic) to interfere in the matter, and that we placed a high value on the national interest. We indicated that if he were to come to us after the election, providing we were successful, we might be able to be of some assistance to him in this effort. However, for now, the question of the release of the hostages is wholly within the hands of President Carter and the Administration, as it properly should be.

Mr. Mohammed indicated that he and other Moslems are terribly disappointed by the Carter Administration, and claimed that Carter had "let us down time and time again." He was very vehement in his denunciation of the Carter Administration. However, we explained that while we share our distaste for the Carter Administration, the matter of the hostages is one affecting the national interest and therefore could not be

made subject to partisan devices.

Both Larry and I indicated that we would be pleased to hear whatever additional news Mr. Mohammed might be able to turn up, and I suggested that the information be communicated via a secure channel. One of the questions that we had about the scheme was more or less resolved: we wanted to know why this information had not been taken to the Administration, and he indicated that he and his group have no faith

<sup>484</sup> Id.

<sup>&</sup>lt;sup>485</sup> Allen dep. at 63.

in the Carter Administration's sincerity or integrity. We suggested that this was a matter for their judgment, but that in the context of the hostage matter we could not become active

in the slightest.486

Allen testified that the idea of the Ayatollah agreeing to release the hostages upon the return of the Shah's son struck him as "absurd." Allen explained that he went to the meeting because Butler had called on behalf of Tower, and that "when Senator Tower asked me to do something, I did it." Allen said the memo accorded with his recollection that there was never a meeting in October 1980.

#### 6. ROBERT MCFARLANE

In 1980, Robert McFarlane was a staff member on the Senate Armed Services committee. McFarlane testified that a man (whose name he could not recall) came to the committee's offices requesting to talk to McFarlane about Iran.<sup>490</sup> The man met briefly with McFarlane and Rhett Dawson, and said he represented Iranian authorities and wanted to talk to the Reagan-Bush campaign.<sup>491</sup> It was McFarlane's understanding at the time that the man was an Iranian national.<sup>492</sup>

McFarlane informed Senator Tower of the request, and Tower asked McFarlane to contact Richard Allen.<sup>493</sup> Allen said he was willing to meet with the man, and at the man's request, the meeting was arranged by McFarlane for the L'Enfant Plaza Hotel.<sup>494</sup> On the appointed day, McFarlane went to Allen's office and he and

Allen were joined by Laurence Silberman. 495

They drove over to the hotel, where the man was waiting in the lobby. The man explained that he was speaking on behalf of Iranian authorities and said it was in Iran's interest for relations between Iran and the United States to be normalized. The man said he was there to talk about U.S.-Iran relations in the event Reagan were elected president. McFarlane and Allen did not say much during the meeting; Silberman carried most of the conversation for the Americans. The man said he could influence the fate of the hostages, but made no specific proposal except to say that returning relations to normal would have to include release of the

<sup>498</sup> McFarlane dep. at 9.

<sup>486</sup> See Exhibit 20. At Mr. Allen's suggestion, the September 10, 1980 memo was sent to the FBI for examination. On August 5, 1992, Terry O'Connor, Inspector-in-Charge of the FBI's October Surprise Task Force, notified Special Counsel Reid Weingarten of the FBI laboratory test results. The FBI laboratory concluded that although a positive determination could not be made whether the memo was prepared on September 10, 1980, the laboratory found that the type-writer impressions, paper watermark and staple holes indicated that the materials used in preparing the memo were commercially available prior to the date of the document. See July 31, 1992 FBI Laboratory Report at Exhibit 20.

<sup>487</sup> Allen dep. at 67. 488 Id.

<sup>489</sup> Id. at 68-69.

<sup>490</sup> McFarlane dep. at 8.

<sup>&</sup>lt;sup>491</sup> Id. at 9.

<sup>&</sup>lt;sup>492</sup> Id. at 11.

<sup>&</sup>lt;sup>493</sup> Id. at 9. <sup>494</sup> Id.

<sup>495</sup> Id.

<sup>&</sup>lt;sup>496</sup> Id.; Interview of Robert McFarlane, March 16, 1992. <sup>497</sup> Interview of Robert McFarlane, March 16, 1992.

hostages.<sup>499</sup> At the mention of the hostages, Silberman cut off the conversation, saying "we have no role to play" and adding that the man ought to be talking to the Carter Administration.<sup>500</sup> The conversation had lasted about 15 minutes. McFarlane testified that after the meeting, the three Americans spoke and agreed that the man was "a person of no substance and the issue itself was one that we should have nothing to do with." <sup>501</sup>

McFarlane had no recollection of the emissary being a Malaysian, although he did not rule out that possibility.<sup>502</sup> McFarlane testified that Mike Butler did not participate in the meeting.<sup>503</sup> McFarlane had no recollection of a proposal to release the hostages once the Shah's son had been installed on the throne, and said that he did not believe that proposal was made.<sup>504</sup> McFarlane testified that such a proposal would have struck him as "ludicrous." <sup>505</sup>

#### 7. LAURENCE SILBERMAN

Laurence Silberman testified that he attended a meeting of campaign foreign policy advisors at Allen's office on the morning of September 10, 1980.<sup>506</sup> During the meeting, Allen asked Silberman if he would be available to come to another meeting, and Silberman agreed to do so.<sup>507</sup> Allen said Bud McFarlane had somebody who wanted to see him with information concerning the hostages.<sup>508</sup>

Silberman said he and Allen arrived at the lobby of the L'Enfant Plaza Hotel, McFarlane and the individual they were to meet were already there. <sup>509</sup> No one else was present. <sup>510</sup> Silberman recalled that the individual was connected to the Shah and had been in Egypt. <sup>511</sup> Silberman had the impression the individual was a Mo-

roccan or "some kind of North African." 512

The individual said the Khomeini regime was unrelentingly hostile to the Carter Administration but might want to get rid of the hostages. <sup>513</sup> He said Khomeini might be induced to release the hostages to the auspices of the Reagan campaign. <sup>514</sup> Silberman recalled that he immediately replied that "we Americans have one President at a time" and that "if you have any matter you want to take up concerning the hostages, take it to the Carter Administration." <sup>515</sup> The conversation quickly ended, and Silberman advised Allen to write a memorandum to the file. <sup>516</sup>

Silberman testified that Butler did not attend the meeting.<sup>517</sup> Silberman did not recall any mention of the son of the Shah, as de-

<sup>499</sup> Interview of Robert McFarlane, March 16, 1992; McFarlane dep. at 10. 500 McFarlane dep. at 9-10. <sup>501</sup> Id. at 10. 502 Id. at 12. <sup>503</sup> Id. at 13. <sup>504</sup> Id. 505 Id. at 13-14. 506 Silberman dep. at 26. 507 Id. at 27. 508 Id. at 28. 509 Id. at 30. <sup>510</sup> Id. at 37. 511 Id. at 30. <sup>512</sup> Id. at 31. 513 Id. <sup>514</sup> Id. <sup>515</sup> Id. at 32.

<sup>516</sup> Id. 517 Id. at 37.

scribed in Allen's memo.<sup>518</sup> Silberman said he did recall the emissary being a "monarchist." Silberman had no recollection of Allen ever suggesting to the emissary, as noted in Allen's memo, that any additional information "be communicated via a secure channel." Silberman added that "I'm sure Dick would have wanted to know if there was an imminent hostage release, quite legitimately \* \* \*" 521

## 8. C. MICHAEL BUTLER

Butler served as Senator John Tower's administrative assistant in 1980. In an interview, Butler said he had no recollection of being involved in any way in the L'Enfant Plaza meeting. Extler said the name "A.A. Mohammed" sounded vaguely familiar but he had no specific recollection of a friend of Senator Tower's having referred this man to him. Butler stated that he has, separately and under various circumstances, met Allen, McFarlane and Silberman. Butler said he dealt with Allen during the drafting of the 1980 Republican platform, and believes he met Silberman some time before 1980; he dealt with McFarlane on a regular basis in the Senate.

#### 9. Hotel Records

The investigation sought guest room records from the L'Enfant Plaza Hotel in Washington but was informed by hotel management that records from 1980 were no longer retained.

<sup>518</sup> Id.

<sup>&</sup>lt;sup>519</sup> Id. at 39.

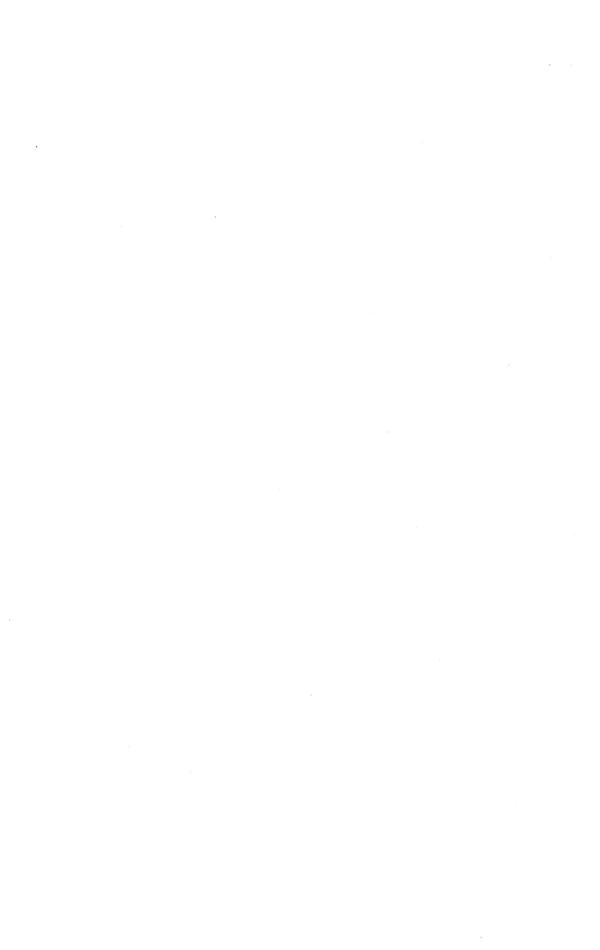
<sup>&</sup>lt;sup>520</sup> Id. at 41.

<sup>&</sup>lt;sup>521</sup> Id.

<sup>522</sup> Interview of Mike Butler, July 7, 1992.

<sup>524</sup> Id.

<sup>525</sup> Id.



## CHAPTER VIII.—ALLEGED PARIS MEETINGS IN OCTOBER 1980

#### 1. OVERVIEW

Several sources have alleged to the press and under oath that a conspiracy to delay the release of the hostages was finalized in a series of meetings involving Americans, Iranians and Israelis in Paris hotels in late October 1980. It has been alleged that then-Vice Presidential candidate George Bush and William Casey,

among others, participated in these meetings.

No credible evidence has been found to indicate that high-ranking Republican campaign figures or other prominent American political officials-including Bush, Casey, Robert McFarlane, Robert Gates and Richard Allen-attended any October 1980 Paris meetings. Moreover, the Special Counsel has concluded, after a review of Secret Service records and testimony from Secret Service agents, that candidate Bush was in the United States throughout October 1980. Some evidence received to date does suggest, however, that more informal gatherings may have occurred in Europe in October 1980, related to the hostage crisis and/or arms trafficking and involving various Iranians and Americans.

#### 2 THE ALLEGATIONS

In September 1988, Richard Brenneke, an Oregon businessman and arms dealer, testified in a sentencing hearing in federal court in Denver on behalf of Heinreich Rupp, a Colorado gold dealer convicted of bank fraud. Brenneke claimed that on October 19, 1980, Rupp flew George Bush, William Casey and several other Americans to Paris in a BAC-111 aircraft to meet with Iranian representatives. 526 Brenneke claimed to have personally attended meetings at hotels in Paris on October 19-20, 1980 at which Casey, Donald Gregg, Cyrus Hashemi, Richard Allen and others negotiated a delay in the release of the hostages with high-ranking Iranians. 527 In May 1990, Brenneke was tried in federal court for false

<sup>326</sup> Government Exhibit No. 1, U.S.A v. Richard J. Brenneke, Cr. No. 89–198–MA (D. Ore. 1990) [transcript of in-camera hearing in U.S.A v. Heinreich Rupp, No. 87–CR–112 (D. Colo.), September 23, 1988, at 8, 14.] Following his release from prison, Rupp gave a series of interviews to the press in which he claimed to have flown Casey and five other passengers from Washington National Airport to Le Bourg Airport outside Paris, via Gander, Newfoundland, on the night of October 18, 1980. B. Honegger, October Surprise, p. 62. Rupp also alleged that he saw a "tall man with crooked eyes" on the tarmac in Paris whom Rupp was "98 percent sure" was George Bush. Id., p.63. In an affidavit dated December 13, 1990, Rupp simply asserted: "I flew Mr. William Casey to the meeting in Paris in October of 1980 with an Iranian delegation for the purpose of negotiating a delay in the release of the American hostages."

527 Government Exhibit No. 1, U.S.A v. Richard J. Brenneke, [transcript from in-camera hearing, U.S.A v. Heinreich Rupp, No. 87–CR–112 (D. Colo.), September 23, 1988, at 9–12, 28.] In July, 1990, Gregg agreed to a polygraph examination requested by the Office of Independent Continued

declarations made in the Rupp sentencing hearing. Following a 9day trial that included testimony by Gregg, Allen, Barbara Hayward, and Secret Service agents assigned to the protection of

George Bush in 1980, Brenneke was found not guilty.

Ari Ben-Menashe testified that he attended a series of meetings in Paris with Iranians and Americans in mid-October 1980 as part of a delegation of Israeli intelligence operatives. Ben-Menashe could not specify exact dates, although he claimed the meetings occurred over a 5-day period. 528 According to Ben-Menashe, the Paris meetings were the culmination of ongoing Iranian-Israeli negotiations on the hostages and on potential military sales to Iran; the talks were intended to incorporate the Republicans into the Iranian-Israeli final agreement. 529

Ben-Menashe said the Iranians and Israelis gathered informally on the second day in Paris to socialize and exchange information. 530 Ben-Menashe claimed that the Israeli delegation consisted of five individuals, including Rafi Eitan and David Kimche. 531 On the second or third day, Ben-Menashe said he and two other Israelis met in a hotel room with Ayatollah Karrubi, the leader of the Iranian group.532 Ben-Menashe asserted that he saw Robert Gates (a high CIA official), Robert McFarlane and a man introduced to him as Donald Gregg on the third day, meeting with Israelis and Iranians.533

On the fifth and final day, Ben-Menashe claimed he was present at the Ritz Hotel where a closed meeting between Ayatollah Karrubi and Republican Vice-Presidential candidate George Bush was scheduled to occur. 534 An American delegation, including Earl Brian (a California businessman and physician who served as Secretary of Health under Governor Reagan), Gregg, McFarlane and Gates, assembled in the fover outside the conference room where the closed meeting was planned. 535 Ben-Menashe testified that he saw Bush, William Casey, Karrubi and an aide arrive at the hotel and enter a private conference room. 536 Ben-Menashe stated that he understood that the Americans accepted an agreement that had already been worked out between Israel and Iran. 537

Houshang Lavi told journalist David Marks in 1989 that he traveled to Paris around October 20, 1980 to meet Cyrus Hashemi. 538

present at this meeting in his deposition testimony. Ben-Menashe 6/25/92 dep. at 17.

536 Ben-Menashe 6/25/92 dep. at 19–20.

Counsel, Iran-Contra. Gregg was asked: "Were you ever involved in a plan to delay the release of the hostages in Iran until after the 1980 presidential election?" Gregg responded "no." According to a press report quoting Gregg's attorney, the FBI polygraph examiner concluded that Gregg's response was "lacking in candor." W. Pincus, G. Lardner, "Gregg Tries to Shield Iran-Contra File; Former Bush Aide Seeks to Keep Results of Failed Polygraph Secret," The Washington Post, May 16, 1992, p. A6.

328 Ben-Menashe 6/25/92 dep. at 14; Interview of Ari Ben-Menashe, June 17, 1992. Previously, Ben-Menashe had stated to Esquire Magazine and to Gary Sick that the Israeli delegation arrived in Paris on October 14 or 15, 1980. See C. Unger, "October Surprise," Esquire, October 1991; G. Sick, October Surprise, p. 143.

529 Ben-Menashe 6/25/92 dep. at 13-14.

530 Interview of Ben-Menashe, June 17, 1992.

<sup>530</sup> Interview of Ben-Menashe, June 17, 1992.

<sup>531</sup> Ben-Menashe 6/25/92 dep. at 16.

<sup>331</sup> Ben-Menasne 0/20/32 dep. at 13.

332 Id. at 16-17.

333 Id. at 17-18; Interview of Ari Ben-Menashe, July 17, 1992.

334 Ben-Menashe 6/25/92 dep. at 19. As noted above, Ben-Menashe did not provide a specific date for this meeting. He told journalist Craig Unger that "the big meeting" took place either on October 19 or October 20. See C. Unger, "October Surprise," Esquire, October 1991.

335 Interview of Ari Ben-Menashe, June 17, 1992. Ben-Menashe did not mention Brian being at this meeting in his deposition testimony. Ben-Menashe 6/25/92 dep. at 17.

<sup>537</sup> Id. at 21-22.

<sup>538</sup> D. Marks, Transcript of 4/14/89 interview with Houshang Lavi, at 3, 12.

Lavi said he met with Hashemi at the Raphael Hotel, where Hashemi told Lavi he had met with William Casey in Paris "and that the deal was about to happen concerning the American hostages in Iran." 539 Lavi claimed that Hashemi informed him that the hostages would be released soon after Reagan was elected, and that the United States would then start shipping arms to Iran. 540 Lavi said he had no information as to whether Bush had been in Paris 541

Journalist John Maclean recalled that he received a tip in October 1980 from a minor Republican official that George Bush was planning a trip to Paris. 542 At the time, Maclean was a Washington correspondent for the Chicago Tribune. Maclean said he heard the Bush rumor while working on an article about government whistleblowers.<sup>543</sup> Maclean recalled that he checked out the tip and found no corroboration. Maclean refused to divulge the name of his source. Maclean said he mentioned the rumor to David Henderson. a State Department employee at the time, who was a subject of the whistleblower piece; Henderson had no reaction.544 Later, Maclean returned to his original source for the tip, who denied ever having made the statement. 545

## 3. THE GAO INVESTIGATION

On July 5, 1990, the chairman of the Subcommittee on Legislation and National Security, House Committee on Government Operations, requested that the United States General Accounting Office conduct a preliminary inquiry into the facts surrounding Richard Brenneke's allegations. On November 21, 1991, James F. Hinchman, GAO General Counsel, submitted a written statement to the Subcommittee on Near Eastern and South Asian Affairs. Senate Committee on Foreign Relations, summarizing the results of the GAO inquiry.546

Brenneke and his two attorneys provided no documentary evidence in support of the allegations of Paris meetings in October

<sup>539</sup> Id.

<sup>540</sup> Id. at 4-5.

<sup>&</sup>lt;sup>541</sup> Id. at 6. Lavi's widow, Debby, told Marks that in late October 1980, Houshang phoned her and said he was in Paris. "I can't remember when I picked him up from the airport, it may have been the next day, but when I did, he told me that he had seen George Bush in Paris. At the time I was 20, it didn't really concern me and I just said, sure. But after the hostages came home I asked him and he told me about the hostage deal." D. Marks, Notes on Meetings with Debby Lavi, 8/27/91-10/6/91. In an interview with this investigation, Ms. Lavi said, Houshang told her 6 years later it was not Bush he had seen in Paris, but rather James Baker. Interview of Debby Lavi, June 17, 1992.

542 Interview of John Maclean, June 3, 1992.

<sup>543</sup> Id.

<sup>544</sup> Id. David Henderson stated that when informed by Maclean of the rumor that Bush was going to Paris in October 1980, he immediately asked whether the Carter Administration was aware of the trip, and whether it was part of a bipartisan effort to release the hostages. According to Henderson, Maclean said yes. Henderson claimed his knowledge of the alleged Paris trip would be reflected in a deposition taken in connection with a grievance proceeding he initiated against the State Department following his dismissal; House Task Force investigators reviewed the deposition transcript and found no such information. Interview of David Henderson, September 9, 1992.
545 Id.

<sup>546</sup> See, November 21, 1991 Statement for the Record of James F. Hinchman, "Preliminary Inquiry into Alleged 1980 Negotiations to Delay Release of Iranian Hostages until after November Election," testimony before Subcommittee on Near Eastern and South Asian Affairs, Committee on Foreign Relations, United States Senate (Exhibit 1).

1980.547 Rupp declined to be interviewed.548 The GAO contacted the Federal Aviation Administration and charter aircraft companies and obtained flight logs for one of the planes allegedly involved in the Paris flights; no evidence was found in these records to support the Brenneke allegations. 549 The GAO interviewed Secret Service supervisory agents assigned to George Bush during the weekend of October 17-19, 1980. One agent recalled accompanying Bush to the Chevy Chase Country Club for a luncheon engagement with Supreme Court Justice Potter Stewart on October 19, 1980.550 The GAO found that Secret Service logs reflected a motorcade to the country club on that date, although a review of Potter Stewart's appointment calendars retrieved from the Yale University Library revealed no entries for appointments on October 19, 1980.551 An inquiry into Customs records that might reflect reentry into the U.S. by parties allegedly involved yielded no results because such records were no longer maintained.552

## 4. THE WHEREABOUTS OF GEORGE BUSH IN OCTOBER 1980

On July 17, 1980, George Bush was nominated for vice-president at the Republican National Convention in Detroit. Beginning on that date, Bush remained under round-the-clock protection by the United States Secret Service until the end of the campaign. 553 The vast weight of all available evidence—including sworn testimony from Secret Service agents assigned to protect Bush, extensive Secret Service records and logs, as well as statements by campaign staff-indicates that Bush did not travel to Paris in October 1980 or, for that matter, at any time during the 1980 presidential campaign.

The Bush protective detail consisted of two groups of special agents that rotated for a tour of duty every 21 days; the detail continued until shortly after the election in November, when another group of agents assumed the task of protecting the Vice-President elect. 554 The first group in the rotation was headed by Detail Leader William Hudson and Assistant Detail Leader Leonard J. Tanis: these men had overall supervisory responsibility for the agents

working the detail. 555

The day was divided into three 8-hour shifts, and each shift had its own agents and a "shift leader." 556 While on a tour of duty, ei-

<sup>547</sup> See id. at 2.

<sup>548</sup> See id. at 3.

<sup>549</sup> See id. at 4.

<sup>550</sup> See id. at 4-5. <sup>551</sup> See id. at 5.

<sup>552</sup> Id. Brenneke's credibility was further undermined by a PBS-TV Frontline program aired April 7, 1992. Frontline reported that Peggy Adler Robohm, a researcher retained by Brenneke to assist him in writing his memoirs, had discovered credit card receipts among Brenneke's personal papers that showed him checking out of a motel in Seattle and having dinner at an Italian restaurant in Portland on October 19, 1980, the weekend he claimed to have been in Paris. See also F. Snepp, "Brenneke Exposed," The Village Voice, Sept. 10, 1991, p. 27; F. Snepp, "October Surmise," Village Voice, Feb. 25, 1992, p. 29–30. On the basis of these published reports, and on the GAO's inquiry (in which Brenneke declined to cooperate), this investigation determined that it would not be fruitful to devote further resources to pursue evidence originating from Brenneke.

553 Deposition of Leonard J. Tanis, June 30, 1992, at 16; Interview of William Hudson, June

<sup>16, 1992.</sup>State of William Hudson, June 16, 1992. Barbara Bush, the candidate's wife, was assigned her own protective detail.

<sup>556</sup> Interview of Special Agent Mike Cleary, June 10, 1992.

ther Hudson or Tanis accompanied Bush whenever he traveled outside his residence. 557 Tanis testified that he and Hudson rode in the limousine with the candidate and were at very close proximity to him at all times. 558 While the candidate was in his residence at night, agents were posted outside to monitor comings and goings: the candidate was thus under surveillance at all times. 559 Tanis was tasked with reviewing "shift reports" prepared at the end of each day by the three shift leaders. 560 These reports provided a detailed account of the protectee's daily activities, identifying where the protectee was at any given time. 561 Tanis usually made his review of the shift reports at the end of the week, and then initialed each report. 562 Hudson and Tanis worked the protective detail that began its last rotation on or about October 13 or 14, 1980.563 During this 21-day period. Bush made as many as six to seven stops per day at different cities throughout the United States.<sup>564</sup>

Tanis and Hudson stated that Bush did not travel to Europe in October 1980 or, to their knowledge, at any other time during the campaign while they were assigned to the rotation. 565 Since Brenneke's allegations (and Ben-Menashe's earlier claims) center on the weekend of October 18-20, 1980 as the time in which the major Paris meeting involving Bush allegedly took place, Secret Service agents were specifically questioned in detail about the activities of the candidate on that weekend. Tanis's testimony in that regard is summarized below. The three Secret Service agents assigned as shift leaders under Tanis and Hudson confirmed that there was no foreign travel by George Bush during the weekend of October 18-20, 1980, or at any other time in October 1980.566

Tanis testified that on Saturday, October 18, 1980 and Monday, October 20, 1980, the candidate was actively campaigning in various U.S. cities.<sup>567</sup> Tanis testified that he had a specific recollection that on Sunday, October 19, 1980, Bush went to the Chevy Chase Country Club for about an hour and a half. 568 Tanis testified that Bush went to the club to have lunch with Associate Justice Potter Stewart and his wife, and Mrs. Bush. 569 Tanis recalled being impressed by the golf course at the Club, and at seeing a Supreme Court Justice for the first time. 570

Pursuant to subcommittee request, the Department of the Treasury produced shift reports and survey reports relating to the protection of George Bush from September 15 to November 4, 1980. and shift reports and survey reports of the protective detail for

<sup>557</sup> Interview of William Hudson, June 16, 1992.

<sup>558</sup> Tanis dep. at 6. 559 Id. at 16-17.

<sup>560</sup> Id. at 9.

<sup>&</sup>lt;sup>561</sup> Id. at 7.

<sup>562</sup> Id. at 9.

<sup>563</sup> Id. at 8.

<sup>564</sup> Id. at 14; Deposition of Special Agent J. Benny Crosby, June 30, 1992, at 9.
565 Tanis dep. at 15–16; Interview of William Hudson, June 16, 1992.
566 See Interview of Special Agent Michael Cleary, June 10, 1992; Interview of Special Agent J. Benny Crosby, June 15, 1992; Crosby dep. at 16; Interview of Special Agent Charles Korff, June 16, 1992.
567 Tanis dep. at 14.

<sup>568</sup> Id. at 10.

<sup>569</sup> Id. Interview of Leonard Tanis, May 28, 1992. <sup>570</sup>Tanis dep. at 10.

Mrs. Bush for October 19, 1980.<sup>571</sup> According to the Department of the Treasury, the documents were provided in redacted form to safeguard the protective methodology of the Secret Service and the privacy interests of individuals.<sup>572</sup> Shift reports for October 19 and for the first shift of October 20 of the George Bush detail, as well as shift reports for the second shift on October 19 for Mrs. Bush, were provided to the Special Counsel in unredacted form on a readonly basis pursuant to a non-disclosure agreement.<sup>573</sup> The Special Counsel personally viewed these documents at the Secret Service's

Washington offices.574

The shift reports for Mrs. Bush for October 19, 1980 reflect that she was not present at the Chevy Chase Country Club luncheon, contrary to Tanis' recollection. The shift report indicates Mrs. Bush was jogging along the Chesapeake & Ohio Canal towpath in northwest Washington, D.C. at the time George Bush was at the luncheon. Asked to explain the inconsistency in his testimony vis-a-vis the records, Tanis said, I just remember the four of them having lunch. Evidently, I've either mixed up the date or something. Tanis stated previously, however, that he has visited the Chevy Chase Country Club only once. Tanis testified that shift reports for the afternoon of October 19 indicate that Bush and his wife left their Lowell Street home at 1:35 p.m to make a stop at a private residence, although Tanis had no specific recollection of that visit. The Later that afternoon, the Bushes returned to their residence until 7:57 p.m., at which time they departed via motorcade for the Capital Hilton hotel in Washington, where George Bush delivered a speech that evening.

In an effort to determine the accuracy of the Secret Service testimony on the whereabouts of George Bush in October 1980, several Bush campaign staffers who were in close proximity to the candidate throughout the campaign were interviewed. Among those who provided information were: David Bates, Bush's personal aide; Vic Gold, a Bush speechwriter; Pete Teeley, a press corps coordinator; and Alden Whelan, an administrative assistant who traveled on the Bush campaign plane in October 1980. All of these individuals confirmed that, to their knowledge, Bush was in the United

States at all times during October 1980.

Several current officers and employees of the Chevy Chase Country Club were interviewed. None of those interviewed had any specific recollection of Bush visiting the club on October 19, 1980. Hunter Cyrus, superintendent of services for many years at the

573 See id.

<sup>&</sup>lt;sup>571</sup> Letter to Special Counsel Reid H. Weingarten dated June 30, 1992 from Department of the Treasury Assistant General Counsel Robert McNamara. See Exhibit 21.

<sup>574</sup> The Department of the Treasury also complied with a request to conduct a somewhat broader internal review of these records. Robert Wallace Keefe, Jr., Chief of the Management Organization Division for the U.S. Secret Service, testified that he reviewed shift reports of Bush's protective detail from July 17, 1980 through January 20, 1981, and found no indication of travel to France or any unusual alterations of the documents. Deposition of Wallace Keefe, June 30, 1992, at 8-9.

<sup>&</sup>lt;sup>575</sup> Tanis dep. at 10.

<sup>576</sup> Id.

<sup>577</sup> Id. at 11.

<sup>578</sup> Interview of Leonard Tanis, May 28, 1992.

<sup>579</sup> Tanis dep. at 12-13.
580 Id. at 13. Tanis testified on the basis of reviewing the shift records, but was not actually on duty for the evening Capital Hilton event.

club, recalled seeing Bush with the Stewarts on more than one occasion during the campaign, in the early evening hours.<sup>581</sup> Nelida Rodebaugh, hostess at the club's terrace restaurant, also recalled the Bushes and Stewarts dining there in the early evening prior to the election in 1980.<sup>582</sup> Mrs. Potter Stewart was also interviewed. She had no specific recollection of the October 19 luncheon, but stated that the Bushes and Stewarts frequently ate together at the club.<sup>583</sup> Mrs. Stewart said she did not believe her late husband would have noted such a luncheon in his appointment book.<sup>584</sup>

## 5. TESTIMONY OF OTHER ALLEGED PARTICIPANTS IN PARIS MEETINGS

The subcommittee received testimony from several individuals alleged by Brenneke and Ben-Menashe to have participated in Paris meetings in October 1980. Robert McFarlane, Richard Allen and Earl Brian were deposed; each stated categorically that they were not in Paris in October 1980. September 1979, and the subsequent passport issued in December 1980, which indicated that during October 1980, Brian did not possess a valid U.S. passport. Donald Gregg, currently the United States Ambassador to the Republic of Korea, provided a sworn affidavit stating he was not in Paris in October 1980. President Bush has stated publicly on several occasions that he was not in Paris in 1980.

## 6. Casey's Whereabouts in October 1980

Accounting for William Casey's activities during the month of October 1980 presents some of the same problems encountered in attempting to trace his activities in July and August 1980. As discussed earlier, certain critical documents necessary for determining Casey's whereabouts—including his passport and loose pages from his 1980 personal calendar—are missing.

The investigation has determined, however, that Casey was in the United States on certain dates in October 1980 which would essentially rule out his having attended the Paris meetings as alleged by Brenneke and Ben-Menashe. Specifically, House Task Force investigators have located American Express Card receipts signed by Casey indicating charges at the Jockey Club in Washington, D.C. on October 15, 1980. See Casey signed a letter to the Alfred E. Smith Foundation, dated October 16, 1980, and on the same day sent a memo to Ed Meese, Elizabeth Dole and Bob Garrick under Reagan-Bush campaign letterhead. See Another American Express charge receipt indicates Casey was at the Lido de Venezia restaurant in Ar-

<sup>&</sup>lt;sup>581</sup> Interview of Hunter Cyrus, May 18, 1992.

<sup>582</sup> Interview of Nelida Rodebaugh, May 18, 1992.

<sup>583</sup> Interview of Mrs. Potter Stewart, April 27, 1992.

<sup>&</sup>lt;sup>585</sup> See McFarlane dep. at 17; Allen dep. at 57; Deposition of Earl Brian, July 28, 1992, at 12.

<sup>586</sup> Brian dep. at 6. See Exhibit 22.

<sup>587</sup> See Exhibit 9.
588 See Exhibit 23.

<sup>589</sup> See Exhibits 24 and 25.

lington, Va. on October 17, 1980.<sup>590</sup> A visitors log from the Arlington, Va. Reagan-Bush campaign headquarters dated October 18, 1980 indicates that "George Casey" and "Rita Casey" both signed in and visited William Casey at 11:50 a.m that day.<sup>591</sup> Later that evening, according to the Arlington log, at 11:30 p.m., Casey himself briefly stopped by the office.<sup>592</sup> The sign-in logs also indicate Casey had visitors at the Arlington headquarters on October 2–9, 11, 13–16, 18, and 22–31.<sup>593</sup> Casey was in Cincinnati with Ronald Reagan on the morning of October 20, 1980.<sup>594</sup> Casey also signed an American Express receipt for a \$13.05 charge at the King Dynasty Sorabol restaurant in Arlington, Virginia on October 20, 1980.<sup>595</sup>

In addition, Casey's Monthly Minder 1980 calendar indicates appointments or other entries relating to campaign, business or personal matters in the United States on the following dates: October 1-4, 6-9, 13-17, 20, 23, 25, 29 and 31. The loose calendar pages found at McLean include similar entries on October 1-4, 6-10, 13-

17, 20, 22–23, 25, 27, 30, and 31.

In an interview with House Task Force investigators, Lawrence Casey, William Casey's nephew, recalled traveling from Long Island to Washington on October 16, 1980 with his parents George and Rita Casey who planned to celebrate their wedding anniversary with William Casey. Lawrence Casey recalled that his parents visited William Casey at the Arlington headquarters on Saturday, October 18, 1980. Lawrence Casey stated that in the late morning of Sunday, October 19, 1980 his father telephoned William Casey; the two men discussed meeting for brunch but William Casey was unable to meet due to his schedule. Lawrence Casey recalled speaking with his uncle during that telephone call. Lawrence Casey and his parents returned to Long Island on the afternoon of October 19, 1980.

When all available evidence on Casey's whereabouts in October 1980 was collected—from sources including visitor logs, credit card receipts, statements in the public record, and Casey's calendars—the only days for which information is not available are October 19 (a Sunday) and October 21. But there does not appear to be any consecutive 2-day period in October in which Casey's whereabouts

remain unclear.

## 7. Cyrus Hashemi's Whereabouts in 1980

As stated above, Houshang Lavi reported that he met with Cyrus Hashemi in Paris around October 20, 1980. Gary Sick, in October Surprise, claims that "it was Cyrus Hashemi who attended the

<sup>&</sup>lt;sup>590</sup> See Exhibit 26. <sup>591</sup> See Report on Unauthorized Transfers of Nonpublic Information During the 1980 Presidential Election, House Subcommittee on Human Resources, Committee on Post Office & Civil Service, May 1984 ("Albosta Report") p. 1980.

<sup>&</sup>lt;sup>592</sup> Vistors Log provided by House Task Force. See Exhibit 27. <sup>593</sup> Calendar of Casey Activities in October 1980. Obtained from House Task Force investiga-

tors.

594 PBS-TV Frontline, April 7, 1992.

 <sup>595</sup> See Exhibit 28.
 596 House Task Force (minority staff) interview of Lawrence W. Casey, June 2, 1992.
 597 Id

<sup>598</sup> Id. 599 Id.

<sup>600</sup> Id.

Paris meetings" and that "several other sources placed Cyrus at one or more of the Paris meetings." 601

The FBI provided the investigation with information obtained from its surveillance of Cyrus Hashemi in October 1980. The FBI has not yet completed its review of all of the Hashemi recordings from this period. The FBI has determined, however, based on recordings of overseas calls placed from Hashemi's New York office to Cyrus Hashemi in England, that Cyrus was in London on at least the following dates: October 2-4, October 6-11, October 29-31, 1980.602 It is believed, although not yet confirmed, that Cyrus was also in London on October 12-13, 1980.603

The FBI has also determined, from the Hashemi surveillance, that Cyrus Hashemi was in the United States from October 18 to

October 21, 1980.604

Sick also wrote that "[a]lthough his brother Jamshid did not attend the Paris meetings, he claimed to have been told about them, at least in general terms, by both Cyrus and Houshang Lavi."605 Jamshid, in his testimony during the closed hearings, claimed he

had no knowledge of any Paris meetings. 606

Analysis of the tapes revealed that Cyrus was working extensively on matters relating to the hostage crisis throughout October 1980. The tapes include conversations in October 1980 in which Cyrus discussed: drafting a report on the location of the Shah's assets in the United States for potential use in hostage negotiations; financing John Shaheen's Newfoundland Come-by-Chance refinery; tracking the movements of Admiral Madani in Europe; and attempting to respond to a general appeal by President Bani-Sadr for military equipment for Iran in its struggle with Iraq.607 In addition, as discussed earlier, Cyrus was in contact by telephone with Majles Speaker Hashemi Rafsanjani on October 20 and October 21, 1980

#### 8. Other Evidence on October Meetings

Pursuant to the Special Counsel's request, the National Security Agency (NSA) conducted an extensive electronic and manual search of records for information relating to the Iran hostage crisis. The NSA provided access to the Special Counsel to certain pertinent materials and formally reported the results of this search to the subcommittee during closed hearing testimony on June 30, 1992.

The full text of this testimony is classified and has been incorporated into the classified appendix of this report, available to appropriately cleared individuals through the Committee on Foreign Relations. In general, a review of relevant information located by the NSA indicates that there may have been several meetings in various western European cities including Paris in October 1980, involving American and Iranian officials and private citizens and concerning hostages and arms. The information did not provide direct evidence of Republican operatives' involvement in any contacts

 <sup>601</sup> G. Sick, October Surprise, pp. 205, 219.
 602 From FBI October Surprise Task Force calendar of Hashemi's activities.

<sup>604</sup> O'Connor dep. exhibit 8.

<sup>603</sup> G. Sick, October Surprise, p. 219. 605 Hashemi dep. at 158–159. 607 FBI October Surprise Task Force information.

with Iranians or other foreign nationals. Determining the accuracy of this information was beyond the authority and resources of the

investigation.

The Central Intelligence Agency (CIA) provided investigators and counsel with access to files on Jamshid Hashemi, Cyrus Hashemi, Houshang Lavi, and several other individuals who are connected to the subject matter of this inquiry. The contents of these files are classified. Certain relevant portions, subject to redaction by the CIA, have been incorporated into the classified appendix of this report, available to appropriately cleared individuals through the Committee on Foreign Relations. The documents cannot be detailed in the text of this report. A review of certain relevant documents in the CIA files indicates that meetings in Western Europe among various arms dealers involved with Iran were contemplated—and likely occurred—in October 1980.

# CHAPTER IX.—THE POLITICS OF THE IRANIAN REVOLUTION

#### 1. OVERVIEW

The timing of the release of the hostages cannot be analyzed fully without considering the impact of internal political events in Iran in 1980. Within Iran, the hostage crisis was part of a much larger power struggle for control over the course of the Iranian Revolution. Fundamentalist radicals under Khomeini and moderate liberals under Bani-Sadr battled over the propriety, wisdom and morality of hostage-taking. At certain critical moments during the crisis, it appears that Iran's political leaders, deeply divided between these radical and moderate factions, were unable—or unwilling—to respond when an opportunity to resolve the crisis presented itself.

A large body of history has already been written on the political dynamics of the Iranian revolution and its impact on the hostage negotiations. In *All Fall Down*, for example, Gary Sick wrote of the Khomeini regime's failure to take full advantage of the Carter Ad-

ministration's weak diplomatic position:

The Iranian revolutionaries never had more than a rudimentary understanding of the U.S. political process. They seemed genuinely surprised, for example, to learn that Reagan would not take office the day after the election. However, they were shrewd bargainers; and they would probably calculate that any president, assured of 4 years in office, would be less likely to compromise than a president fighting for his political life. In that judgment, they may have been correct. The package that finally resolved the issue \* \* \* was, in several key respects, less advantageous to Iran than the offer the United States had on the table in October.

There is every reason to believe that the top Iranian command made a concerted effort to end the crisis in September and October. Although they finally managed to hammer out an agreed position in the last 2 days before the election, the pressures of the war with Iraq and their own internal disagreements evidently delayed them weeks beyond their own timetable. Consequently, on November 4, both Washington and Tehran were forced to stop and re-examine their basic strate-

gies.<sup>608</sup>

The investigation has sought to supplement the historical record with a variety of primary sources, including accounts by Iranian political exiles and hostage intermediaries, that may offer some

<sup>608</sup> G. Sick, All Fall Down, pp. 376-77.

new insights. Inevitably, much of this information is mere speculation from those not directly involved in determining the course of events in 1980. It would have been preferable, of course, to obtain first-hand testimony from key Iranian political figures of the time. such as Hashemi Rafsanjani, Mehdi Karrubi and Ahmad Khomeini. As noted earlier, however, the resources and mandate of this investigation did not allow for travel to Iran, and many of these individuals likely would not have made themselves available at any rate. Nevertheless, the fragmentary evidence that follows casts some additional light on the circumstances surrounding the release of the hostages. This evidence, for the most part, lends weight to the conclusion that Khomeini had his own reasons, apart from any alleged agreement with the Republican campaign, to delay the release of the hostages. In addition, however, there is some evidence from these sources of possible contacts between Iranian clerics and Republicans prior to the U.S. elections.

#### 2. MANSOUR FARHANG

Mansour Farhang, Iran's U.N. Ambassador during the early months of the hostage crisis, described anti-Americanism in Iran as "a very powerful instrument of mobilization and politicization." 609 Farhang said that during the first few weeks of the hostage crisis, the vast majority of those demonstrating in front of the U.S. Embassy were hard-core Marxist-Leninists; Khomeini and his allies subsequently stole the issue of anti-Americanism away from the Left, and found it worked to their benefit in galvanizing radical political support for the fundamentalists. 610 Farhang stated that the fundamentalists used the hostages "to completely discredit the left, to completely demoralize the liberals, and it became a rallying cry in terms of their expansionism." 611 Farhang opined that President Carter's "vacillating" response to the crisis—consisting of conflicting conciliatory and militant messages—added to "the internal importance and significance of this massive capital for the fundamentalists."612

Farhang testified that by the time the United States revived the commission of inquiry concept in March 1980, hostage-taking had become "like a gold mine for the fundamentalists in Iran." <sup>613</sup> Farhang said that after Khomeini rejected the American proposal, and particularly following the failed rescue attempt, there was very little doubt that Khomeini would not release the hostages until the end of the year. <sup>614</sup> When Farhang was recalled to Iran following the rescue mission, he wrote a lengthy newspaper article arguing that the hostage crisis had "created a convergence and confluence of interest between Republican fanatics in the United States and the Islamic fanatics in Iran." <sup>615</sup> Farhang explained that he believed the two groups benefited from the crisis "in a very unintended way." <sup>616</sup>

<sup>&</sup>lt;sup>609</sup> Farhang dep. at 46. <sup>610</sup> Id. at 47–48.

<sup>611</sup> Id. at 46.

<sup>612</sup> Id. at 46-47.

<sup>613</sup> Id. at 46.

<sup>614</sup> Id. at 48. 615 Id. at 49.

<sup>616</sup> Id. at 51.

In September 1980. Bani-Sadr appointed Farhang as a special advisor tasked with examining a settlement of the Iran-Iraq war.617 Farhang described the political tension in the fall of 1980 between Bani-Sadr's liberal faction and the "inner circle" of clerics led by Avatollah Khomeini, his son Ahmad, Rafsanjani, and Ayatollah Khamenei, who controlled the decision-making on the hostage issue. 618 Farhang said the fundamentalists labeled Bani-Sadr's moderate clique as "pro-American or Western" and attacked their position on the hostage issue. 619 Farhang recalled that prior to the Iragi war, Iranian revolutionaries—including clerics, liberals and leftists—were united in seeking to weaken the Iranian military; after the Iraqi invasion, Bani-Sadr's group argued for releasing the hostages in order to obtain American-made spare parts. 620 The argument failed to appeal to the clerical leadership. 621

Farhang theorized that the "expansionist tendencies" of the Iranian revolution, i.e. the exportation of the Islamic movement to the rest of the Middle East region, helped prolong the hostage crisis

through the U.S. election:

They thought that the defeat of President Carter would enhance their prestige in the region. This is the first time that a completely indigenous movement is confronting the United States and actually defeating the President of the United States.\* \* \* So for them, the principal slogan of the fundamentalist foreign policy from the time of the collapse of the rescue attempt until November 6th or 5th, whatever, 1981, was in Persian, Carter bayanbarbat, Carter has to go. It was the dominant intense slogan and it was 99.9 percent related to internal and regional political objectives of the fundamentalists in the region.<sup>622</sup>

Farhang speculated that Khomeini had no intention of releasing the hostages before the election. 623 In support of this theory, Farhang noted that prior to the election, there had been no discussion in the press about a possible resolution of the crisis.624 But following the election, the press began to prepare the Iranian people. for the first time, for the possibility of an imminent hostage release, and there was a flurry of public activity in December. 623

At the same time, Farhang offered testimony that suggests that the clerical faction may have had contacts with the Republicans. In describing the increasing isolation of the moderate faction, Farhang testified that Bani-Sadr learned only by accident in late September 1980 that Khomeini's close relative, Sadegh Tabatabai, was negotiating with the United States in Germany. 626 Farhang said that in October 1980, the clerical group began to treat him differently; in the past, he and the other moderates were seen as traitors, but then "the vocabulary changed, we were naive, we were dumb, we

<sup>617</sup> Id. at 52.

<sup>618</sup> Id. at 52-54.

<sup>619</sup> Id. at 54. 620 Id. at 55-56.

<sup>621</sup> Id. at 58.

<sup>622</sup> Id. at 62-63.

<sup>623</sup> Id. at 72. 624 Id. at 71. 625 Id. at 71-72. 626 Id. at 57.

were uninformed."627 Farhang recalled a comment by Ahmad Khomeini to the effect that although Farhang and other liberals had lived in the West, they did not really understand Western politics. 628 Farhang said when he suggested to Rafsanjani that Iran would receive better treatment from President Carter than from Reagan, Rafsanjani laughed and said "you don't know what you are talking about." 629

#### 3. EXCERPTS FROM HASHEMI TAPES

The FBI Hashemi tapes include conversations recorded in late October 1980 in which Cyrus Hashemi discussed the hostage crisis with both Americans and Iranians. While the conversations primarily involve rumor and speculation <sup>630</sup>, they provide some insight into the course of political events within Iran at that time.

On October 21, 1980, Cyrus Hashemi placed a call directly to Hashemi Rafsanjani, the speaker of the Iranian Majles. 631 In the call. Hashemi introduces himself and establishes his bona fides by noting that he is acquainted with Reza Passindideh. 632 Hashemi informs Rafsanjani that he is in the process of compiling a list of the Shah's assets to present to Rafsanjani. 633 According to the FBI transcript of the conversation, Hashemi states:

I wanted to telephone your excellency directly about an issue—about the assets that the Shah and his family looted; I have done enough research here, and I have come up with some conclusions which are very important. [Pause.] Since I heard yesterday that there is hope that the Majles would make a decision within the next 2 or 3 days, I wanted to inform you about this issue which is very important. 634

At the conclusion of the conversation, Rafsanjani indicates his interest and requests Hashemi's phone number. 635 Rafsanjani says Hashemi should send any further information through diplomatic

and coded channels.636

On October 22, 1980, Hashemi called his attorney, Stanley Pottinger, and described his knowledge of a recent meeting among high Iranian officials including Khomeini and Rafsanjani following Prime Minister Rajai's trip to the United Nations. 637 Hashemi, apparently relating Rajai's views, states:

We are in a very good position to make a deal and—then he went, you know, through the whole process of, you know, what happens and what if we do this—what would happen, and

nian exile communities in New York and Paris.

631 FBI Task Force interview, September 15, 1992; O'Connor dep. at 70. The discussion was

in Farsi and has been translated by the FBI.

<sup>627</sup> Id. at 59.

<sup>628</sup> Id.

<sup>629</sup> Id. at 60-61.

<sup>630</sup> Our review of the Hashemi tapes has revealed that Hashemi often boasted of inside information that was in reality gleaned from generally available Iranian newspapers, Jamshid Hashemi's shortwave radio tuned to Teheran, Mahmood Moini, and gossip from within the Ira-

<sup>632</sup> Id. at 70. 633 Id. at 72.

<sup>634</sup> Id., exhibit 5.

<sup>635</sup> Id.

<sup>636</sup> Id. Our review of the FBI tapes indicates that on October 22, 1980, at 6:44 a.m., Hashemi placed another call to Rafsanjani's number in Teheran. For reasons that are not yet clear, only Hashemi's side of the conversation was recorded by the wiretap. On the tape, Hashemi urges Raßanjani to resolve the hostage issues they had discussed "last night."

what would the American impression, the American public and then the pros and cons of the other candidates so at the middle of this—#1<sup>638</sup> gets very mad and says, so what you're telling me really is that I am, by doing this, I am reclecting him. And that has been always, you know, my concern. I always say that, you know, down with him and you know—abusive voice they are using and here, I'm sitting here and you as the representative of the government, have gone there and come back and say that if you do this it'll be, it'll be that, so absolutely not. Announce that we are not here to help, and in fact, I think this is a—devil's ploy.<sup>639</sup>

Hashemi then relates his understanding of Rafsanjani's reaction:

I'm not saying you should do it but if you want to do it, you're not really helping—his reelection as such. That even if you, you know, even if you do it, and he's reelected, it would not have a much big bearing, you know, on the internal affairs here, and if he's not, the facts that it's still not gonna have a big bearing and to an extent the man from here <sup>640</sup> agreed with him. But nonetheless, being a stubborn man he directed him to get out of the meeting and announced on the radio that no, absolutely no, you know, this was a devil's ploy, as they call it, and they would not go along with it and they were not going to release anybody. And that was the end of the meeting. H <sup>641</sup> then got hold of B <sup>642</sup>, the judge, and they had a long conversation and that's when—they went back there and then—they had in mind to have the matter discussed today in the Majles. <sup>643</sup>

Pottinger then asks Hashemi for his opinion as to whether Khomeini would go along with an upcoming Mailes vote on the hostage

issue: Hashemi responds:

It's my guess that—he might go along with it—but, ah, he might think that by delaying it 10 days or so—ah—he has publicly not appeared to have helped one way or other. The mechanics of it would take, you know, 10 or 15 days or something—so it would not appear that just on the eve of election there is a planeload of——644

#### 4. AHMAD MADANI

Ahmad Madani, who ran unsuccessfully for president of Iran in January 1980, stated that prior to the hostage crisis, he developed a close relationship with Ayatollah Khomeini; both men had strongly opposed the Shah's regime. Madani ultimately parted ways with Khomeini and went underground in July 1980, 3 months after being unseated from the Majles. Throughout the hostage crisis,

<sup>638</sup> The FBI has determined that "#1" likely refers to Ayatollah Khomeini. O'Connor dep. at 73.
639 Id. exhibit 5.
640 The "man from here" is apparently Rajai.
641 "H" likely refers to Hashemi Rafsanjani. O'Connor dep. at 73.

<sup>642 &</sup>quot;B" likely refers to Mohammed Beheshti.

<sup>643</sup> O'Connor dep. exhibit 5.

<sup>645</sup> Interview of Admiral Ahmad Madani, June 9, 1992.

Madani worked at releasing the hostages by writing numerous let-

ters to Khomeini and other clerical figures.647

Madani said that the Ayatollah's intense hatred of President Carter benefited candidate Ronald Reagan because Khomeini was intent on seeing Carter defeated.<sup>648</sup> Madani stated that, based on the overall political "climate" in Iran at the time, he believed that Reagan's staff was making efforts to contact the Khomeini regime. although Madani had no proof of such attempts. 649 Madani said he believed that such Republican overtures explain why "real" negotiations with the Khomeini regime did not begin in earnest until after the November 1980 election. 650

Madani speculated that while hatred for President Carter may have motivated Ayatollah Khomeini to release the hostages on January 20. 1981, fear of Ronald Reagan was not a factor: Madani tes-

tified:

I know Khomeini very well. I've been with him years and years. I've seen him over and over. He feared nobody in the world. I'm true with that. He feared nobody in the world. He was unlike the Shah, which was very fearful. He's something quite different from the Shah. He is very brave \* \* \*651

#### 5. U.S. INTELLIGENCE INFORMATION

The NSA made available to the investigation excerpts from intelligence reports indicating that Khomeini decided early in 1980 that the hostages would not be released until after the U.S. elections. 652

The investigation was provided with intelligence information available to the United States indicating that reports in the American media concerning allegations of a Karrubi-Casey meeting generated speculation among Iranian officials.653

#### 6. ROGOVIN DIARIES

As discussed in Chapter VII, attorney Mitchell Rogovin kept a diary of events and conversations relating to Houshang Lavi's brief role with the Carter Administration during the hostage crisis. Rogovin recorded some intriguing entries in his diary which reflect information Lavi had apparently obtained from sources within Iran in the fall of 1980.

On October 16, 1980, Rogovin indicated in his diary that Lavi

had called him, and noted:

Lavi called back—Navob left for W.Ger. The Prime Minister a hard liner, is not going to deal w/Carter—Under no circumstances are "they willing to deal w/present admin." 654

Rogovin testified that he did not attach great significance to Lavi's comment. 655 Rogovin recalled that Lavi obtained such information

<sup>647</sup> Id.

<sup>648</sup> Id. 649 Id. 650 Id.

 <sup>630</sup> Id.
 631 Deposition of Ahmad Madani, June 24, 1992, at 204.
 632 See transcript of NSA testimony, June 30, 1992, in Classified Appendix to this report, available to appropriately cleared individuals through the Committee on Foreign Relations.
 633 See August 14, 1992 letter to Senator Terry Sanford containing summary of classified intelligence reports, in Classified Appendix to this report, available to appropriately cleared individuals through the Committee on Foreign Relations.
 634 Rogovin dep., exhibit 1.
 635 Rogovin dep. at 36.

by talking to Teheran by phone overnight and then "the next morning he would call me and tell me these things." 656

On October 17, 1980, Rogovin noted in his diary:

Houshang received call from Teheran w/Bani Sadr listening in. They still want to go forward. Will set up a mtg w/ Houshang & me and either the PM or someone else from Teheran. They stressed to Lavi that they don't want to deal w/

Carter Adm./But do want to swap.657

On October 21, 1980, Rogovin noted that Lavi had informed him that there would be "no release of anybody before election." <sup>658</sup> In his deposition, Rogovin described Lavi's comment as "another sweeping statement that he was repeating." <sup>659</sup> On October 24, 1980, Rogovin noted that Lavi had raised the following concerns: "What happens if Pres. issues Ex. Order to unfreeze assets. Iranian Gov. wants to know. Said it is a mess. But they will get some \$ right away. Source says 2 of the hostages are dead." <sup>660</sup> Rogovin testified that there was no question that Lavi was "talking to people who were interested" in settling the hostage crisis, but Rogovin added that Lavi may have been in contact with factions outside of power in Iran. <sup>661</sup> On October 28, 1980, according to the diary, Lavi called "just checking in" and told Rogovin "same news/no swap until after election," a message repeated the next day. <sup>662</sup>

<sup>656</sup> Id.

<sup>657</sup> Rogovin dep. exhibit 1, 6/30/92.

<sup>658</sup> Id.

<sup>659</sup> Id. at 40.

<sup>660</sup> Id., exhibit 1.

<sup>661</sup> Id. at 42.

<sup>662</sup> Id., exhibit 1.



## CHAPTER X.—THE TRANSITION PERIOD

## 1. Overview

The investigation examined activities by key Republican officials during the transition period—from the November 4, 1980 election until the inauguration of Ronald Reagan on January 20, 1981—in which the Carter Administration continued to struggle to resolve the hostage situation. The evidence from this period does not support allegations that the Reagan campaign and the Khomeini regime reached an agreement relating to the hostages.

Rather, the evidence indicates that, following the election, some officials connected with the Reagan campaign and transition team were uncertain as to the ultimate outcome of the crisis, were concerned that the hostage crisis might not be resolved by inauguration day, and therefore prepared a variety of contingency plans.

It is also clear, based on the FBI surveillance of Cyrus Hashemi and other sources, that meetings involving arms supplies to Iran and possibly other hostage-related issues, continued in Western Europe throughout November 1980, after the U.S. presidential election. The FBI tapes reveal that William Casey may have had indirect contact with Hashemi, through John Shaheen, during the transition period.

#### 2. RICHARD V. ALLEN

Richard V. Allen testified that President-elect Reagan's transition team consulted closely with Carter Administration officials on the Iran hostage situation. Allen said the Reagan team's official position, however, was "that we will listen to everything you say, but we will not take joint actions with you for the following reason: we do not want to tie our hands as to what we will do to get the hostages back." Allen said that "we were in a quandary until the day of the inauguration and at noon on the inauguration. We didn't have any idea what the Iranians were going to do." 664

Allen produced notes taken at several meetings he attended during the transition period concerning Iran. Allen's notes indicate that on January 7, 1981 President-elect Reagan met with Casey, James Baker, Vice-President-elect Bush, Caspar Weinberger, Alexander Haig, Edwin Meese, and other transition team staff in Washington to discuss Iran. Allen attributes the following position to Reagan: "Mistake has been—We neg. on their terms. It's backward.

<sup>663</sup> Allen dep. at 92.

<sup>664</sup> Id. at 93.

Must be a penalty to them." According to Allen's notes. Bush stated

"Snatch Kh.," an apparent reference to Khomeini. 665

Allen testified he attended a meeting on January 16, 1981 at Blair House in Washington that included Reagan, Bush, Haig, Weinberger, and Robert Gray, Allen, reading from his notes, described the conversation as follows:

HAIG. Algerians have been told there is a deal. They're going

to keep them in Germany.

REAGAN. What if they are bitter and think twice about a

White House reception?

HAIG. After a medical exam, we'll bring them home to their families. The final step should be a meeting and White House reception. Invite Jimmy Carter and Muskie. Don't turn it into an invitation for more of this stuff.

WEINBERGER. No national celebration.

REAGAN. I will sign an agreement when the hostages are out and not before 666

Allen testified that sometime during the transition period he received a report from Jim Brady, the press secretary, that the hostages had been executed.667 Allen said he called President-elect Reagan in California with the news and Reagan responded "I'll blow the bastards off the face of the earth." 668

### 3. IKLE MEMOS

In a memorandum dated December 29, 1980 from Fred C. Ikle (a Reagan campaign advisor) to Richard V. Allen and William Casey, entitled "Policy Towards the Iranian Hostage Situation," Ikle argued that "the change in Administration offers a good opportunity to make a clean break with the negative aspects of past policy." 669 Ikle continued:

The regime in Iran must not be permitted to control the prestige of the United States President. Hence, the President should be disassociated from the hostage problem as much as possible. Indeed, it seems likely that some of the influential forces in Iran would precisely want to humiliate President Reagan, as they have humiliated President Carter. 670

At the conclusion of the memo, Ikle suggested several options, including: attempting another rescue mission; declaring "a state of belligerency"; breaking off all negotiations; pressing U.S. allies to tighten the embargo against Iran; and military action against Iran "to inflict damage, to seize territory, to seize "counter hostages." 671 Ikle noted that the military option raised the question of "political costs and potential failure." 672

In a similar memo dated January 6, 1981 from Ikle to Allen, Ikle described a series of alternative approaches to negotiations with

Iran:

<sup>665</sup> See Exhibit 29.

<sup>666</sup> Allen dep. at 92-93. 667 Id. at 96. 668 Id.

<sup>669</sup> Ikle 12/19/80 memo, copy provided by Mrs. Sophia Casey. See Exhibit 12.

<sup>671</sup> Id. 672 Id.

Also fairly soon (say within 2 weeks after the Inauguration) a position will have to be taken on the negotiations with Tehran that have been under way for the last few months. The demeaning haggling about ransom-like arrangements should not be continued.

Several alternative options are open:

1. Present secretly to the Iranians the last position of the Carter Administration as a non-negotiable final offer which

will expire in 30 days.

2. Declare the Carter Administration offer as expired, reiterate the points made by Governor Reagan on September 13. stressing the proviso for safe return of the hostages as prior condition for negotiating details about Iranian claims and complaints.

3. Remain silent on all aspects of Iranian claims and demands and take no position on negotiations (keeping the Ira-

nians guessing).673

## 4. ALEXANDER M. HAIG, JR.

Alexander M. Haig. Jr. testified that in early January, 1981, as he was preparing to assume his post as Secretary of State, he received a phone call from Harold Brown, the outgoing Secretary of Defense. 674 Brown informed Haig that there were snags in the negotiations with the Algerians.<sup>675</sup> Brown asked Haig for permission to convey to the Algerians that the new Administration would authorize the continuation of negotiations after the inaugural.<sup>676</sup> Haig recalled his response:

I said, Harold, no way. You tell them that come inaugural day, it's a whole new ballgame, and we are not going to continue on with the practices of the previous administration. I said, now Harold, this is Al Haig talking, but I'll talk to the

President and confirm that. 677

Haig testified he went to Blair House a day or two later to raise the issue with Reagan. 678 Haig recalled the conversation as follows:

He said, Al, you did exactly right. And, he said, let me tell you, this is an act of war that Iran has taken against the United States. And they're also in violation of the Geneva Accords for the handling of prisoners of war. I said, Mr. President, no more negotiations. Anybody that conducts negotiations under threat of blackmail, and intimidation, and terrorist activity is wrong. And he said, yes. And Cap Weinberger was there, and

he said, Cap, I hope you've prepared air strikes.<sup>679</sup>
Haig said he would be "hard pressed to accept that there was any hanky-panky between the Reagan team and the Iranians on the release of the hostages when everything we did was designed not only to put fear into the minds of the Iranians, but more impor-

<sup>673 1/6/81</sup> Ikle memo, copy provided to investigation by Mrs. Sophia Casey. See Exhibit 11. 674 Deposition of Alexander M. Haig, Jr., July 1, 1992, at 8.

<sup>676</sup> Id. at 8–9. 678 Id.

<sup>&</sup>lt;sup>679</sup> Id.

tantly, to reinforce the efforts of the Carter Administration in succeeding in their negotiations." 680

Haig recalled that after President Reagan took office, some of the President's advisors, including Meese, Baker and Deaver, wanted to renege on any agreement that the Carter Administration had made with Iran. 681 Haig insisted that the commitments of an American president had to be kept, "because foreign governments don't care who is in office, they just care what America stands for."682 Haig said there was a heated argument around the President's desk. 683 Haig recalled that Casey "didn't want to reward the Iranians by giving them their money back." 684 Haig said the President asked Attorney General William French Smith to study the issue and return with a recommendation; Haig said "Bill Smith, to his everlasting glory, came back and said, of course, we do what our official negotiators committed to do." 685

#### 5. NICHOLAS A. VELIOTES

Nicholas A. Veliotes, the Assistant Secretary of State for Near Eastern and South Asian Affairs from 1981 to 1983, recalled that one of the first issues he dealt with as part of the new Administration was whether the United States would honor the Algiers agreement.686 Veliotes stated that "[t]here were people in the White House who were saying well screw these barbarians, you know. Why do we have to give them this?" 687 Veliotes said his senior deputy, Peter Constable, was assigned the task of convincing the White House that the agreement should be honored even though "no one likes it." 688

Veliotes recalled that in implementing the Algiers Accords, he was told that a bookkeeping error had "shorted" the Iranians of roughly half a billion dollars. 689 Veliotes counseled to do nothing, reasoning that "if they want the money, they'll have to do something good in order to get it." 690 Veliotes said the mistake was not brought to the Iranians' attention until 1986.<sup>691</sup> Veliotes said he believes that if the Reagan Administration had wanted to reward the Iranians, correcting this bookkeeping error in the early days of the Reagan Administration would have been an easy way to do so.<sup>692</sup>

<sup>680</sup> Id. at 10. 681 Id. at 11-12. David Korn, a Special Assistant to Haig handling personnel matters during the transition period, stated that he was present at a meeting of President-elect Reagan's Foreign Policy Advisory Board during the first or second week of January 1981. Korn recalled that Meese, Allen, Baker, John Lehman, Henry Kissinger, Haig, and Casey were among the 40–50 people in attendance. Korn said the meeting primarily concerned alternatives for dealing with the Iranian situation. Korn recalled that Reagan addressed the group and said there was no way of predicting what Iran would do next. According to Korn, Reagan said that one way to deal with the crisis was to charge the Iranians \$1.5 million a day for every day they continued to keep the hostages, or to bomb Iran. Interview of David Korn, March 25, 1992.

683 Id.

<sup>&</sup>lt;sup>683</sup> Id.

<sup>684</sup> Id. at 12-13.

<sup>685</sup> Id. at 12.

<sup>686</sup> Deposition of Nicholas A. Veliotes, July 1, 1992, at 16.

<sup>687</sup> Id. 688 Id.

<sup>689</sup> Id. at 25.

<sup>690</sup> Īd.

<sup>&</sup>lt;sup>691</sup> Interview of Nicholas Veliotes, May 5, 1992; Veliotes dep. at 25. 692 Veliotes dep. at 25.

### 6. CYRUS HASHEMI'S ACTIVITIES IN NOVEMBER 1980.

Cyrus Hashemi continued to play an active role in the hostage crisis after the election. In late November, according to Pottinger. Cyrus and Pottinger contemplated attending an upcoming meeting in Paris involving Iranian defense officials, apparently to discuss arms procurement issues. 693 Pottinger stated that his notes, dated November 24, 1980, reflect that a "logistical commander" named Sabouri and two other Iranians were coming to Paris via Madrid "in 3 to 4 days." 694 Pottinger said his notes indicate that the Ira-

nian ambassador in Paris was to coordinate the agenda. 695

Pottinger recalled that, pursuant to Hashemi's instructions, he advised Harold Saunders of the upcoming Paris meeting, and that Saunders asked to be kept apprised if the meeting dealt with the hostage issue. 696 Pottinger said Saunders indicated the State Department was not interested in arms procurement issues. 697 In a conversation recorded by the FBI wiretap on November 21, 1980, Pottinger and Cyrus discussed the impending Paris meeting. Pottinger informed Cyrus that he had spoken to Lloyd Cutler about the meeting and that Cutler or another American official was willing to go to Paris if the Iranians requested. 698 In a conversation recorded the following day, Pottinger and Cyrus discuss hotel and plane reservations for their Paris trip. 699

Pottinger stated that he never made the trip to Paris. 700 There is no evidence that any Carter Administration official attended the meeting. Pottinger said he is quite sure Hashemi did travel to Paris but Pottinger could not recall ever being debriefed by

Hashemi as to the outcome of the meeting.701

According to FBI surveillance records, it is likely that Cyrus and Jamshid met in London before continuing on to the meeting in

Paris with the Iranian officials. 702

As detailed in Chapter V, Cyrus and Pottinger were in frequent consultation in November concerning the hostage situation. On at least one occasion involving Cyrus and Shaheen, possible contacts with the Reagan transition team's director, William Casey, were discussed. Also in November, Cyrus boasted of his ties to Casey in conversations with Moini and Aryanpour.

695 Id. According to the FBI surveillance of Cyrus Hashemi, Moini reported to Cyrus that Reza Passindideh would assist in getting the Iranians to Paris.

<sup>&</sup>lt;sup>693</sup> Interview of Stanley Pottinger, August 17, 1992.

<sup>666</sup> Id. The FBI Hashemi wiretap reflects that on November 15, 1980, Cutler, Owen, Pottinger and Cyrus Hashemi met in New York. In a conversation later that day, Pottinger called Cyrus from Washington, after taking a shuttle flight there with the American officials. Pottinger told from Washington, after taking a shuttle flight there with the American officials. Cyrus the Americans were impressed by Hashemi's honesty and remained confident in his abilities.

697 Interview of Stanley Pottinger, August 17, 1992.

Washami

<sup>598</sup> From FBI surveillance of Hashemi.

<sup>700</sup> Interview of Stanley Pottinger, August 17, 1992.

<sup>702</sup> In his written answers to questions posed by the investigation, Donald Gregg stated that from November 20 to November 24, 1980 he was involved in travel to and from a conference on East Asian developments held at Ditchley, a small town near Oxford, England. Gregg states that he also visited friends in London at the end of the conference. See Exhibit 9 (Question 7). Jamshid Hashemi told Gary Sick that he first met Donald Gregg in the spring of 1980 at Cyrus' office in New York. Jamshid said Gregg was introduced to him as "the man from the White House." G. Sick, October Surprise, p. 34. Jamshid later told Sick that Gregg was present at the Madrid meetings with Casey. Id. at 83. In his written answers, Gregg denies ever having met Cyrus or Jamshid Hashemi. See Exhibit 9 (Questions 4 and 5).

## 7. THE ALLEGED MEESE-HASHEMI DINNER

On June 20, 1991, the Atlanta Journal-Constitution reported that in December 1980. Edwin Meese III, then an advisor to President-elect Reagan, was a dinner guest at the Wilton, Connecticut home of Cyrus Hashemi. 703 The report was based on allegations by Robert McQueen, a former Immigration and Naturalization Service (INS) agent, and McQueen's former supervisor, James Dorcy.<sup>704</sup>

McQueen and Dorcy were interviewed. McQueen explained that he and Dorcy were assigned to an investigation of an alleged scheme in which non-resident alien identification papers were being sold illegally to wealthy Iranians; Cyrus Hashemi's wife, Homa, had agreed to cooperate in a "sting" operation by arranging a purchase. 705 As part of the operation, McQueen and Dorcy traveled to the Hashemi home in Connecticut on several occasions in late 1980 in order to monitor phone calls between Homa Hashemi

and the target of the investigation.<sup>706</sup>

Based on his notes from the investigation. McQueen recalled that on December 22, 1980, he was present at the Hashemi residence Wilton placing consensually monitored calls with Mrs. Hashemi. 707 McQueen recalled that around noon, Mrs. Hashemi invited McQueen to come to dinner at the Hashemi home that evening because a "very special man," Ed Meese, was coming to dinner. 708 Mrs. Hashemi indicated others would be at the dinner as well.709 McQueen recalled that he had heard Meese might become Attorney General in the new administration; McQueen declined Mrs. Hashemi's invitation because he thought it would be inappropriate to dine with Meese, who might be "his future boss." 710 McQueen said he was not accompanied by Dorcy on this trip. 711 McQueen recalled that Cyrus Hashemi was present and that Cyrus and Homa engaged in conversation while McQueen was at the house.<sup>712</sup> The following day, McQueen returned to the Hashemi home and Mrs. Hashemi commented that they had had a "very nice dinner." 713

McQueen stated that he returned to Washington on December 24, 1980 and briefed Dorcy on the dinner invitation episode, since he thought it was peculiar that Cyrus Hashemi was "fooling with Administration types." 714 McQueen said he did not prepare a memorandum on the incident because he did not believe it was germane to the investigation.<sup>715</sup> James Dorcy recalled that McQueen had advised him of the Meese episode, although it was Dorcy's un-

<sup>703</sup> J. Nesmith, S. Shepard, "Reagan Advisor Meese, Iranian linked in '80 Report," Atlanta Journal-Constitution, June 20, 1991, p. A1.

<sup>705</sup> Interview of Robert McQueen, April 10, 1992.

<sup>706</sup> Id. 707 Id.

<sup>&</sup>lt;sup>708</sup> Id.

<sup>&</sup>lt;sup>709</sup> Id. <sup>710</sup>Id. Meese, who became President Reagan's White House counselor in January 1981, was not nominated as Attorney General until 1984.

711 Interview of Robert McQueen, April 10, 1992.

<sup>&</sup>lt;sup>713</sup> Id.

<sup>714</sup> Id. McQueen and Dorcy told Atlanta Journal-Constitution reporter Scott Shepard that the Meese visit did not strike them as out of the ordinary since the Reagan transition team was then working at trying to end the hostage crisis. Interview of Scott Shepard, May 5, 1992.

715 Interview of Robert McQueen, April 10, 1992.

derstanding that Cyrus Hashemi had actually invited McQueen to

Meese, in an interview, denied the allegations that he dined at the Hashemi house and asserted that he had, to the best of his knowledge, never been to Wilton, Connecticut. 717 Meese said he first heard Cyrus Hashemi's name in connection with the publication of October Surprise by Gary Sick in 1991.718 Homa Hashemi denied making any statement to McQueen about Ed Meese, and said neither Meese nor McQueen ever dined at the Hashemi home.<sup>719</sup> The investigation interviewed several individuals who were employed at the Hashemi residence at the time of the alleged Meese dinner, as well as Hashemi family members, friends and acquaintances: none could recall any instance in which Meese ever appeared at the Hashemi home, or had any contact whatsoever with Cyrus or Homa Hashemi. 720

A review of the FBI's surveillance recordings conducted on Cyrus Hashemi from December 18, 1980 to December 24, 1980, indicated that Cyrus Hashemi was in London, England during this entire

time period.

<sup>&</sup>lt;sup>716</sup>Interview of James Dorcy, April 9, 1992.

<sup>717</sup> Interview of Edwin Meese, April 8, 1992. According to House Task Force investigators, an entry at 11:15 p.m. on December 22, 1980 on an "operations log" maintained by a 24-hour guard at the Arlington, Va. headquarters notes, "Meese dining with Casey at an undisclosed location."

718 Interview of Edwin Meese, April 8, 1992.

<sup>719</sup> Interview of Edwin Meese, April 3, 1992.
719 Interview of Homa Hashemi, April 23, 1992.
720 Interviews of Gus Elia, May 12, 1992 (driver); Ivy Johnson, May 1, 1991 (house servant); Merja Soudegar, April 22, 1992; Narinder Sawhey, May 12, 1992; Parvin Safavi, May 15, 1992; Reza Hashemi, June 11, 1992; Jamshid Hashemi, April 7, 1992.



#### CHAPTER XL—TRANSSHIPMENT OF AMERICAN-MADE ARMS TO IRAN

#### 1. OVERVIEW

It has been alleged that substantial quantities of American-made military equipment began to flow from Israel to Iran shortly after President Reagan took office, with the tacit approval of the Reagan Administration, as a reward for Iranian cooperation with the Republicans in a conspiracy to delay the release of the hostages until after the election. 721 Moreover, there are allegations that American weapons may have been diverted to Iran by several other thirdparty countries that had access to stockpiles of U.S.-made arms provided under mutual defense understandings—including the Republic of Korea, Turkey, Taiwan, and Belgium—or that such weapons were sold directly to the Iranians from United States military manufacturers. 722

The investigation has focused on allegations of Israeli transshipments because they have been mentioned most frequently. A determination as to whether or not weapons were actually transshipped to Iran would require an enormous undertaking involving analysis of thousands of American and Israeli arms export control documents, a task well beyond the scope of this preliminary inguiry. 723 Instead, this investigation has limited its review to an examination of whether the Reagan Administration authorized, tacitly or otherwise. Israeli transshipment of American-made military equipment and spare parts to Iran in 1981-82, and if so, for what reasons. The weight of the evidence indicates that the Reagan Administration, while adhering to a formal prohibition against arms transfers to Iran, privately acquiesced in some limited Israeli transshipments of American-made weapons to Iran, and slightly relaxed the policy in the interest of promoting Israel's standing as a political and military strategic ally of the United States in the Middle East. The investigation found no credible evidence to show that the Reagan Administration's position on these arms shipments was in any way a reward to the Khomeini regime in exchange for an agreement relating to the hostages.

<sup>721</sup> See, e.g., PBS-TV Frontline, "The Election Held Hostage," April 16, 1991; G. Sick, October Surprise, pp. 146-50, 152-55; Bani-Sadr, My Turn To Speak, p. 133.

722 See, e.g., E. Magnuson, "Arms for the Ayatollah," Time, July 25, 1983, pp. 26-28; GAO in-

vestigation interview of Myron Struck, October 29, 1990.

723 It has been alleged that Israel covertly chartered a large number of cargo ships under Danish and Liberian registration, to carry arms between the ports of Eilat, Israel to Bandar Abbas, Iran on a regular basis. S. Hersh, "Reagan Is Said to Have Let Israel Sell Arms to Teheran," The New York Times, Dec. 8, 1991, pp. 1, 16.

#### 2. THE ISRAELI-IRANIAN RELATIONSHIP

During the Shah's reign, Israel and Iran developed a close friendship which included economic and military cooperation. 724 The relationship with Iran was part of Israel's "periphery" strategy of building alliances with non-Arab countries bordering Israel's enemies.725 Israel also sought to protect the interests of Jews living in Iran. 726

Throughout the 1970s, the Shah purchased billions of dollars of American-made aircraft, in particular the F-4, F-5 and F-14 jets, in developing Iran's air force. 727 After the fall of the Shah. Israel attempted to maintain its influence and connections in Iran through elements of the Iranian military. 728 With the taking of the hostages in November 1979, the U.S. arms embargo forced Khomeini to look to sources outside the U.S. to obtain spare parts for its American-made military equipment. 729 A convenient relationship emerged: Israel, with an abundance of military hardware fitted for American-made weapons, quietly supplied Iran's military with spare parts and aircraft tires. 730 Khomeini, in exchange, also agreed to allow some Iranian Jews to escape possible Islamic persecution by leaving Iran. 731

#### 3. THE CARTER ADMINISTRATION AND THE ARMS EMBARGO

To assess whether there was a dramatic change in U.S. policy on the issue of transshipment of military equipment to Iran when Ronald Reagan became president, the investigation sought evidence on the Carter Administration's position with regard to these transfers. The evidence indicates that the Carter Administration vehemently protested the shipment of military hardware by Israel to Iran and took up the issue directly with Israeli Prime Minister

Menachem Begin.

Samuel Lewis, the U.S. Ambassador to Israel from 1977 to 1985, testified that in the early months of the hostage crisis, the Israelis frequently suggested exploiting their connections with Iranian military leaders by supplying spare parts to gain a "wedge" for both Israel and the United States. 732 President Carter instructed Lewis to listen to these suggestions, but to make it clear that while the hostages were being held, the U.S. position was that there should be no sales of military equipment to Iran, U.S.-supplied or otherwise. 733 In April 1980, Lewis recalled, Prime Minister Begin visited President Carter in Washington and the two men discussed the spare parts issue; President Carter reiterated the U.S. position and Begin promised Carter that Israel would not sell any U.S.-furnished or U.S.-controlled weapons to Iran so long as the hostages were held.<sup>734</sup> Begin added, however, that the U.S. had no control

<sup>724</sup> See, generally, S. Sobhani, The Pragmatic Entente: Israeli-Iranian Relations 1948–1988 (N.Y.: Praeger, 1989); Deposition of Samuel Lewis, June 30, 1992, at 7–8.

725 See Sobhani, The Pragmatic Entente, pp. 33–61.

726 Veliotes dep. at 15.

727 Sobhani, The Pragmatic Entente, p. 111.

<sup>728</sup> Lewis dep. at 9.
729 Sobhani, The Pragmatic Entente, p. 145.

 <sup>730</sup> Id.; Lewis dep. at 10.
 731 Sobhani, The Pragmatic Entente, p. 145.

<sup>732</sup> Lewis dep. at 10. <sup>733</sup> Id. at 11.

<sup>734</sup> Id.

over items manufactured in Israel and that it was important for Israel to maintain its supply relationship with Iran. 735 Begin promised he would provide advance notice of any sales of Israeli equipment. 736

Lewis recalled only one instance, near the end of October 1980, in which the Israelis shipped F-4 tires (manufactured in Israel) to Iran.<sup>737</sup> Lewis said the U.S. learned of the shipment through intelligence channels, not from the Israelis. 738 Lewis recalled that he complained to Begin about the shipment, reminding Begin of his commitment to President Carter. 739 Begin admitted there had been a shipment, but said he understood it was not one covered by the commitment regarding U.S. items.<sup>740</sup> Begin, while not particularly chagrined, acknowledged that perhaps the shipment was contrary to his promise and he reaffirmed his agreement to inform the U.S. in advance of anything that was to be sent to Iran.<sup>741</sup>

Harold Saunders recalled two incidents in which the Israelis informed the Administration that they were about to ship F-4 tires to Iran.742 Saunders recalled that Ambassador Lewis protested the shipments and that President Carter raised the issue in a meeting with Begin. 743 Saunders said in response, Israel's ambassador explained that Israel wanted to maintain contact to protect the remaining members of the Iranian Jewish community.744 Saunders said that the Israelis made no promises about future shipments, but his assumption was that having received "a very stiff protest from a country with which Israel had very close relations \* \* \* that maybe they would at least wait until the hostages were out before they did that again." 745

Charles Cogan, the chief of the CIA's Near Eastern and South Asia division during the hostage crisis, testified that while the Israelis "told us to some degree" that they were supplying Iran with weapons, it was "not always in an extremely timely fashion." 746 Cogan recalled that the Israelis "would tell us shortly before the plane had taken off, or landed \* \* \* but they were fulfilling the letter of the third-country transfer agreement. I assume."747

#### 4. Transshipment of American-made Arms to Iran During the REAGAN ADMINISTRATION

#### a. Alexander M. Haig, Jr.

Alexander M. Haig, Jr., the first Secretary of State in the Reagan Administration, testified that in February 1981, Israeli Foreign Minister Yitzhak Shamir told Haig that Israel wanted to sell arms to Iran to retain Israel's influence there and to get Jewish citizens

<sup>&</sup>lt;sup>735</sup> Id. at 12. <sup>736</sup> Id. <sup>737</sup> Id. <sup>738</sup> Id. <sup>739</sup> Id. at 13. <sup>740</sup> Id.

<sup>&</sup>lt;sup>741</sup> Id.

<sup>742</sup> Saunders dep. at 32.

<sup>&</sup>lt;sup>743</sup> Id. at 33. <sup>744</sup> Id.

<sup>&</sup>lt;sup>745</sup> Id. at 34.

<sup>746</sup> Cogan dep. at 170.

out of Iran.748 Haig testified he told Shamir that Israel was free, as a sovereign nation, to supply Iran with Israeli-made arms, although the U.S. discouraged the practice: Haig added that if U.S.supplied equipment were involved, however, Israel would need a presidential finding to make an exception to U.S. law against such transfers. 749 Haig said Shamir was "a little dismayed." 750 Haig acknowledged, however, that Shamir would have found the Reagan Administration's position somewhat more sympathetic than the Carter Administration position, in that Haig had made it clear the U.S. would not attempt to dissuade Israel from pursuing its own national interests with Israeli-made equipment.751

Haig recalled that on his first visit to Israel, in April 1981, Israeli Defense Minister Ariel Sharon asked to meet with Haig privately in the King David Hotel. 752 Haig asked Ambassador Lewis to sit in on the meeting. 753 Sharon argued that it was critical that F-4 tires and spare parts be shipped to Iran to protect Jewish citizens there. 754 Haig said he reiterated "what you do with your equipment, that you procured on your own, is your business to make. We don't like your doing it, but you can do it if you decide it's important. U.S. equipment, no, N-O, no way." 755 Haig said Sharon got upset and threw a "mini tantrum," but there was no change in U.S. policy. 756

Haig said that in July 1981, following interagency discussion, the Carter Administration policy that had remained in place regarding arms to Iran was slightly modified: instead of discouraging the sale of non-U.S arms to Iran (the Carter position), it was reworded to say the U.S. would not oppose such sales. Haig said this was "really the only valid position for the U.S. to take." The Haig added that the U.S. continued to oppose the sale of U.S-supplied arms to Iran.759

Haig recalled that in late summer of 1981, there were unconfirmed rumors that Israel had shipped U.S. weapons to Iran; Haig said "we sent a message to Israel, to Begin, and Israel denied it." 760 In July 1981, an Argentine-leased jet chartered by Israelis carrying American-made weapons to Iran was downed over Soviet airspace; Haig testified he had no recollection of the incident.<sup>761</sup> Haig added that the issue might not have been brought to his attention unless there was U.S. involvement.<sup>762</sup>

<sup>&</sup>lt;sup>748</sup> Haig dep. at 14. <sup>749</sup> Id.

<sup>751</sup> Id. at 21. Haig said he personally was comfortable with the Carter Administration's policy, which forbade the transfer of U.S.-supplied arms and discouraged the sale of arms to either side in the Iran-Iraq war, "with the single exception of the special case of Israel." Id. at 14-15.

<sup>752</sup> Id. at 15.

<sup>&</sup>lt;sup>753</sup> Id. 754 Id.

<sup>&</sup>lt;sup>755</sup> Id. at 16.

<sup>&</sup>lt;sup>756</sup> Id.

<sup>757</sup> Id.

<sup>&</sup>lt;sup>758</sup> Id.

<sup>&</sup>lt;sup>759</sup> Id.

<sup>760</sup> Haig dep. at 16.
761 Id. at 23. The Argentine plane incident is described in further detail in subsection (d) infra.
761 Id. at 23. The Argentine plane incident is described in further detail in subsection (d) infra. In his testimony, Ambassador Samuel Lewis recalled the downing of the Argentine jet in July 1981, having heard about it from Israeli journalists, but said he had no way of knowing whether there were American-made arms aboard. Lewis dep. at 22.

762 Haig dep. at 23.

Haig testified that sometime between October and December, 1981, another change in policy occurred. An intelligence report indicated the Soviet Union planned to sell a large number of T-72 tanks to the Iragis; meanwhile, the Iranians were sorely in need of F-4 spare parts. 764 Haig said an exception was made to authorize a small sale of U.S-supplied arms through Israel to Iran, so as to maintain the balance between Iran and Iraq. 765 Haig had no knowledge as to how the exception was made; he stated that "there was no way a Secretary of State could have made the exception" because it would have required a presidential ruling. 766 Haig speculated that William Casey, who had mentioned his concern about the Soviet tanks, "went to the President and got this done, because I would have been opposed to it, especially in light of the position I had taken with Shamir and Sharon." 767

Haig recalled that in a meeting on January 14, 1982, during a state-level trip to Israel related to the Middle East peace process, the Israelis again raised the issue of F-4 parts and other U.S. equipment sought by Iran. 768 Haig said "we were authorized to approve only the F-4 parts and then only if we got a specific list from Israel as to what they were going to ship." Haig added that authorization had to come from the President, that the Secretary of State lacked the power to grant it alone, and that Haig was not in favor of the sale in the first place.770 Haig said a \$25 million shipment was authorized.771 Later, Haig learned of an intelligence report that Israel had shipped U.S. arms in excess of what had been authorized.772 Haig said he took this up with Sharon during a visit to Washington in May, 1982 and Sharon "vigorously denied it." 773

Haig had no knowledge of any "wink and a nod" by an American official indicating to the Israelis that they could ship arms covertly to Iran contrary to U.S. policy.774 Haig added "that doesn't mean there isn't a freelancer out in the woodwork who's got his own little game he's playing." 775 Haig said he was quite confident he mentioned the arms policy to President Reagan and told him the position he had taken, and that the President "didn't challenge it." 776

#### b. Robert C. McFarlane

Robert C. McFarlane, the State Department Counselor under Secretary Haig, recalled that in April or May 1981, he began seeing intelligence reports indicating that Israel was shipping Americanmade weapons or parts to Iran. 777 McFarlane said he asked Secretary Haig whether there had been any authorization for Israel to do so; Haig was emphatic in saying he had not given any ap-

<sup>&</sup>lt;sup>763</sup> Id. at 17. 764 Id. at 18. <sup>765</sup> Id.

<sup>&</sup>lt;sup>766</sup> Id. at 17.

<sup>&</sup>lt;sup>767</sup> Id. at 17–18.

<sup>&</sup>lt;sup>768</sup> Id. at 18–19.

<sup>&</sup>lt;sup>769</sup> Id. at 19. 770 Id.

<sup>771</sup> Ĭd.

<sup>772</sup> Id.

<sup>773</sup> Īd.

<sup>774</sup> Id. at 26. 775 Id.

<sup>776</sup> Id. at 26-27.

<sup>777</sup> McFarlane dep. at 20-21.

proval. 778 McFarlane said he was convinced there was no State Department approval for shipments but that it was plausible that other authorities in the Administration may have granted such approval.<sup>779</sup> McFarlane testified, however, that he had no knowledge of any authorization of transshipments, informally or formally, by anyone in the Administration in 1981-82.780 McFarlane was under the assumption that the Israelis could ship Israeli-made weapons as they saw fit. 781

#### c. Samuel Lewis

Samuel Lewis, who served as U.S. Ambassador to Israel under both President Carter and President Reagan, said that while the Carter Administration viewed Israel as a friend, and considered the Middle East a regional problem area, the Reagan Administration saw Israel as an ally against the Soviet Union and viewed the Middle East as a "a cockpit for Cold War competition." 782

Lewis recalled Begin saving on occasion after the November 1980 election that he assumed as soon as the hostages were released Israel would get "a green light or get encouragement from the United States to try to rebuild this arms relationship." 783 Lewis said it was natural for Begin to assume, after Reagan was elected, that Israel and the U.S. could look forward to a "much warmer, easier relationship with respect to a lot of things \* \* \* including arms sales to Iran." 784 Lewis testified that after receiving a report of an Israeli shipment in January 1981, he went to see Begin and reminded him of the U.S. policy.<sup>785</sup> Begin was surprised the U.S. cared about the shipments now that the hostages were out.786 Lewis checked with Washington, and after hearing from Haig.

reaffirmed the policy as it had been stated to Begin during the Carter Administration.<sup>787</sup> Lewis speculated that Shamir, after meeting Haig during his February 1981 trip to Washington, returned to Israel and apparently "gave Begin the impression that we really wouldn't object too much to what they did, kind of pro forma." 788 Later, the Israelis notified Lewis of an impending shipment, and Lewis told Begin it was contrary to the policy; Begin said that Shamir understood otherwise. 789 Lewis again checked with Haig, who said Shamir must have misunderstood.<sup>790</sup> Lewis returned to Begin, and reaffirmed the U.S. policy.<sup>791</sup> Begin was unhappy but accepted it.<sup>792</sup>

Lewis recalled Haig's April 1981 trip to Israel, Lewis said Sharon made the same argument that Begin had made, that the arms

<sup>778</sup> Id. at 21.

<sup>779</sup> Id. at 24.

<sup>&</sup>lt;sup>780</sup> Id. dep. at 21, 23. <sup>781</sup> Id. at 24.

<sup>&</sup>lt;sup>782</sup> Lewis dep. at 15.

<sup>&</sup>lt;sup>783</sup> Id. at 16. 784 Id.

<sup>&</sup>lt;sup>785</sup> Id. at 17.

<sup>&</sup>lt;sup>786</sup> Id. at 16-17. <sup>787</sup>Id. at 17-18. The policy regarding Iran was that the U.S would not approve sales of U.Sorigin equipment, and opposed any arms sales of Israeli-made equipment. Id. at 18.

<sup>8</sup> Id. at 19. <sup>789</sup> Id.

<sup>&</sup>lt;sup>790</sup> Id.

<sup>791</sup> Id.

<sup>&</sup>lt;sup>792</sup> Īd.

sales to Iran were important.<sup>793</sup> Lewis said he "never saw anv difference in the way Haig dealt with this issue with Sharon, or with the Cabinet, or with me." 794 Lewis said that sometime around July, 1981, in light of Iran's setbacks against Iraq, the U.S. policy was changed by a "senior departmental group" to "continue to prohibit any sale of American-end items, parts and anything else, but no longer to try to discourage sale of other people's manufactures." 795

Lewis testified that in the fall of 1981, there was a further "loosening" of the policy after reports of Soviet tanks being sent to Iraq. 796 Lewis said he was authorized to tell the Israelis that "if they would give us a list of parts that they wanted to send \* \* \* we would look at the list and we would make a judgment and give them approvals on certain items within a fairly low ceiling of the amount of money that the total could come to.\* \* \* "797 Lewis said he cabled the lists to Washington and would receive approvals for some items but not for others. 798

Lewis described Haig's January 1982 visit to Jerusalem, and a large meeting at the King David Hotel; in attendance, among others, were McFarlane, Veliotes, Lewis, Sharon, David Kimche and Moshe Arens. 799 Arms sales came up and Sharon asked whether he could sell from his list of arms. 800 Lewis said that "either Haig or McFarlane or Veliotes, one of the Washington group" responded that the Israelis only could sell F-4 parts, provided they made a specific accounting of the parts sold; Sharon argued with the Americans, unsuccessfully, that Israel should be able to sell other items. 801 Lewis speculated that Sharon, at that time planning to invade Lebanon, was "feisty" and "went ahead with many if not all of the shipments of the things on that list, regardless of what we had said to him."802

#### d. Nicholas A. Veliotes

Nicholas A. Veliotes, the Assistant Secretary of State for Near Eastern and South Asian Affairs from 1981 to 1983, testified that in July 1981, he learned from a Soviet press release that an Argentine plane, chartered by the Israelis to fly American arms to Iran, had been shot down over Soviet airspace. 803 Veliotes recalled discussing the matter with Secretary of State Haig. 804 Veliotes expressed to Haig that he knew nothing about the flight and that if true, it was illegal.805 Veliotes said Haig did not seem as "surprised or exercised about it" as Veliotes was. 806 Veliotes could not recall Haig's exact response, but he said it "was not the kind of response that would have been reassuring to me, with respect to any official

<sup>&</sup>lt;sup>793</sup> Id. at 21. <sup>794</sup> Id. <sup>795</sup> Id. at 23.

<sup>&</sup>lt;sup>796</sup> Id. at 25.

<sup>&</sup>lt;sup>797</sup> Id. <sup>798</sup> Id. at 26.

<sup>799</sup> Id. at 27.

<sup>800</sup> Id.

<sup>&</sup>lt;sup>801</sup> Id. at 28.

<sup>802</sup> Id.

<sup>803</sup> Veliotes dep. at 5-6.

<sup>804</sup> Id. at 7. 805 Id.

<sup>806</sup> Id. at 8.

American involvement in this." 807 Veliotes said, "I had the feeling that I didn't know all there was to know about it, that I hadn't heard everything." 808 Veliotes testified he began looking into the issue and soon confirmed that American-made equipment had indeed been sent to Israel. 809

Veliotes recalled the 1982 King David Hotel meeting. Veliotes said it developed into a conversation between him and Sharon.<sup>810</sup> Sharon raised the arms issue in an "assertive" manner; Veliotes "kept telling him no and he kept looking around for help from others in the room and there would be an occasional mumble from someone that he would interpret as something positive." <sup>811</sup> Veliotes recalled that McFarlane made some comments lending comfort to Sharon's position. <sup>812</sup> Veliotes said that although the Americans had reaffirmed the policy, he left Israel with the impression "that somehow this issue had not yet been laid to rest." <sup>813</sup>

#### e. Admiral Bobby Ray Inman

In 1981, Bobby Ray Inman was Deputy Director of the CIA under William Casey. Inman stated that he attended a breakfast meeting in the spring of 1981 involving Casey and Haig at which the three men discussed reports of Israeli arms shipments to Iran. Imman believes the meeting was provoked by the downing of the Argentine jet. Imman recalled that Haig made a long statement about the importance of allowing Israel to pursue its arms policy vis-a-vis Iran. Haig argued that the Israelis felt strongly that sales to Iran were in their self-interest, and since they were not contrary to U.S. interests, it was not worth fighting with the Israelis on the issue. Imman said that he and Casey pressed Haig on the issue, although Inman was unable to recall whether they asked Haig specifically if he had concurred in the arms sales. Imman recalled having the sense that Haig had either agreed to or authorized the sales. Imman said Casey did not really express a viewpoint.

#### f. Richard V. Allen

Richard V. Allen testified that during the transition period, prior to his becoming National Security Advisor to President Reagan, he attended a cocktail party in Washington during which he was approached by Morris Amitay, then executive director of the American Israel Public Affairs Committee (AIPAC).<sup>821</sup> Allen recalled that Amitay said the Israelis were making available to the Iranians "tires, wheels, brake assemblies, something on the undercarriage of

<sup>807</sup> Id.
808 Id. at 26.
809 Id. at 9.
810 Id. at 18.
811 Id.
812 Id. at 19.
813 Id. at 18.
814 Interview of Bobby Ray Inman, May 7, 1992.
815 Id. Inman said the U.S was aware that the plane was carrying American-made arms.
816 Id.
817 Id.
818 Id.
819 Id.
820 Id.
821 Allen dep. at 74.

an aircraft." 822 Allen testified that Amitay explained that the reason the Israelis were doing so was to extract Iranian Jews and bring them to Iran. 823 Allen said Amitay asked for his opinion; Allen responded "tell your friends I've heard what you said." 824 Allen affirmed an earlier statement he had made to a newspaper

Allen affirmed an earlier statement he had made to a newspaper reporter, in which he speculated that it was possible that Secretary Haig consulted with President Reagan on the transshipment issue "by the back door," and that consent was privately conveyed to Prime Minister Begin, but that Allen had no knowledge of any such agreement.<sup>825</sup>

<sup>&</sup>lt;sup>822</sup> Id.

<sup>&</sup>lt;sup>823</sup> ld.

<sup>824</sup> Id. at 75.

<sup>825</sup> Id. at 75-76.



## CHAPTER XII.—FINDINGS AND RECOMMENDATIONS

### 1. SPECIAL COUNSEL CAN REACH ONLY PRELIMINARY CONCLUSIONS AT THIS TIME

The investigation was handicapped by several factors which make reaching final conclusions an almost impossible task.

#### a. Limitations in the Authority of the Special Counsel

The two most significant limitations on the Special Counsel's authority were the inability to travel abroad and the lack of resources. The former eliminated the possibility of interviewing many critical witnesses in Europe, Israel and Iran. The latter caused the investigators to rely almost exclusively on the various executive branch agencies to find, collect and analyze relevant materials pursuant to requests. At present Special Counsel has no reason to believe that these requests were not complied with in good faith. At the same time, Special Counsel has no independent basis by which to confirm that there has been full compliance.

The investigation was also hampered by its short life. The hostage crisis is a very complex subject with many ramifications. Simply stated, there was not time to interview many witnesses and fully review many of the available documents. Special Counsel is hopeful and confident that the professional and competent investigators on the House Task Force will complete the work that has

been started.

Finally, Special Counsel was disadvantaged by his limited subpoena powers in the absence of Senate approval of the authorizing resolution. The process by which subpoenas were authorized—requiring a majority vote by the full Committee—was extremely cumbersome and time-consuming. While the Committee did approve the one omnibus request in the early stages of the investigation, Special Counsel could not at that time anticipate fully all witnesses and documents that would be helpful to the investigation. Had Special Counsel been authorized with independent subpoena power, the investigation would have been far more effective and efficient in gathering evidence.

#### b. Limitations Imposed by the Passage of Time'

Obviously, it would have been preferable to conduct this investigation many years ago, when certain key witnesses—including Casey, Ghotbzadeh, Cyrus Hashemi, and Shaheen—would have been alive; when illuminating documents in the hands of third parties would have been available; and when memories of the events in question would have been less dim. In particular, asking people

to recall matters by now so stale inevitably results in irreconcilable

conflicts arising among these witnesses' accounts.

For example, despite the investigation's best efforts, Special Counsel was never able to establish with certainty all of the facts concerning the July 2, 1980 Madrid meeting.826 We know, of course, that attorney Stanley Pottinger and Cyrus Hashemi went to Madrid and met with the Ayatollah's nephew, Reza Passindideh. Pottinger's testimony, corroborated by officials of the Carter Administration, is that four people were present and that no American official attended or monitored the meeting; Mahmood Moini, the Iranian who arranged and also attended the meeting, insisted there were five men at the meeting in Madrid, including a State Department official in addition to Pottinger and Hashemi. It appears odd that the State Department would not have "covered" a meeting with Khomeini's nephew at this critical time in the hostage crisis, and that such a meeting was unknown to other key administration players. It is also strange that Bani-Sadr's understanding of the meeting was that Passindideh met with the Republicans.827

Another example is the array of accounts of the L'Enfant Plaza Hotel meeting.<sup>828</sup> The Allen memo, reporting a meeting with high-ranking Reagan campaign operatives and a Malaysian purportedly attempting to put the Shah's son back on the throne with the Ayatollah's blessing, is contradicted by the testimony of Robert McFarlane and Mike Butler—and challenged by common sense and history

These and several other contradictions in the record do not necessarily indicate any venality or dishonesty on the part of the witnesses who testified to these accounts. But such conflicts do make it difficult to reach final conclusions about the underlying facts.

#### $c.\ Unavailable\ Reagan\ Evidence$

Special Counsel was disappointed by President Reagan's declination of the request for an interview. President Reagan's written reply was wholly inadequate to explain his off-hand but apparently relevant comment to a reporter that he had acted in some fashion as a candidate in connection with the hostage crisis.

#### d. Questions Regarding FBI Electronic Surveillance

The history of the FBI's handling of evidence in this case—from the disappearance and discovery of the "Pottinger Tapes," to the disappearance and discovery of the entire Hashemi electronic surveillance, to the discovery of an 8-day period in which the Hashemi New York wiretaps were apparently discontinued—is a curious one. It is not typical for the FBI to simply "lose" evidence. Nevertheless, we are fully satisfied that the FBI has made extraordinary efforts to find missing evidence and to investigate and explain the circumstances surrounding these unusual events. Special Counsel emphasizes that the record is not yet complete. It is conceivable that

 <sup>826</sup> See Chapter V, section 4(a).
 827 A curious coincidence is that Casey was in Europe during the July 2, 1980 Madrid meeting.
 See Chapter VI, section 4. There is no evidence, however, that Casey went to Madrid during this visit.
 828 See Chapter VII, supra.

as yet unreviewed FBI evidence could change those conclusions we are able to now reach.

#### e. Possible Efforts to Obstruct the Investigation

#### i. Casey Documents

The circumstances of the production of the Casey materials are detailed in Chapter II and suggest a willful effort to prevent Special Counsel from getting timely access to the materials. Probably the single most relevant document in the whole inquiry—Casey's 1980 passport—remains missing.

#### ii. Possible Perjury During the Closed Hearings

Special Counsel is concerned that not every witness was truthful during his testimony at the closed hearings. The testimony of some of the individual witnesses is discussed in the next section.

It is the view of Special Counsel that after the House Task Force completes its work, the leadership of both investigations should determine jointly whether any of these matters merits a referral to the Department of Justice for criminal investigation.

#### 2. STANDARD OF PROOF

In coming to conclusions, Special Counsel had to determine the standards to be used in evaluating the evidence. As the "October Surprise" allegations are extremely serious, a high standard of proof was appropriate. Special Counsel did not view himself as a prosecutor with a burden of proving a case "beyond a reasonable doubt," but Special Counsel did not reach conclusions without clear and convincing evidence. Special Counsel also evaluated testimony in the context with traditional rules of evidence.

An evaluation of the evidence offered by Ari Ben-Menashe provides an example of how these rules were applied. Ben-Menashe was found to be a fascinating individual with a deft sense of geopolitical history. He undoubtedly had real connections with Israeli intelligence and had access to some highly classified information. However, his insistence upon placing himself in the middle of numerous scandals and adventures, and his decision to pit himself squarely against the sworn testimony of numerous credible witnesses and unimpeachable documents made him a wholly unreliable witness. The inability to precisely and reliably separate Ben-Menashe's facts from his fantasies caused Special Counsel to view his testimony with great caution and to conclude that nothing he said could be relied upon without solid, independent and persuasive corroboration. As there was no such corroboration found on the central points, Ben-Menashe's testimony was not relied upon when the conclusions below were reached. Similarly, Richard Brenneke's allegations were disregarded after his claim of going to Paris in October 1980 was wholly destroyed by documentary proof. It was concluded that nothing Brenneke alleged thereafter could be relied upon without unimpeachable corroboration. So too, Houshang Lavi's assertions were shelved after Special Counsel learned, from the FBI wiretap, that Cyrus Hashemi was in New York on or about October 20, 1980 and not in Paris, as Lavi had alleged.

Special Counsel recognizes that such a "courtroom" approach to evaluating evidence may have caused him to "throw out" evidence that in fact may be historically accurate. The alternative—to rely on subjective, intuitive appraisals of witnesses like Ben-Menashe—is inappropriate given the gravity of the allegations which form the basis of this investigation.

Some have suggested that because many highly impeachable sources provide independent information about an October Surprise, "something must have happened." This observation may be correct, but in a formal Congressional investigation there must be a solid, unimpeachable center of evidence before the mutual-corroboration of unreliable sources has value. In addition, the impeachable sources must withstand examination under oath and analysis in connection with irrefutable evidence like wiretaps, if the "something" is to be defined adequately to justify reliance in an official investigation.

#### 3. Conclusions

Special Counsel now turns to the central questions considered in this investigation.

a. Was There a Secret Agreement Between the Reagan Campaign and Representatives of the Ayatollah Khomeini to Delay the Release of the American Hostages Until After the November 1980 Election?

There is not sufficient credible evidence to support this allegation. The primary sources for this allegation—Brenneke. Ben Menashe, and Lavi—have proven wholly unreliable. Their claims regarding alleged secret meetings are riddled with inconsistencies. and have been contradicted by irrefutable documentary evidence as well as by the testimony of vastly more credible witnesses.829 Not one aspect of Ben-Menashe's story, which alleges a series of meetings in Madrid, Amsterdam, Paris and Washington in furtherance of an "October Surprise" conspiracy promoted by Israel, was ever corroborated. There is now reliable evidence (from passports, calendars, credit card receipts, FBI surveillance tapes, etc.) that the men Ben-Menashe claims attended these meetings—including Casey, Bush, Brian, Cyrus Hashemi, and Allen—were definitely not present. Even Jamshid Hashemi, who has testified under oath that Reagan campaign director William Casey met with Karrubi in Madrid, also stated that Casey's intent was not to delay, but rather to expedite, the release of the hostages.

The evidence of such an infamous agreement is more probative from the Iranian side, but still far from compelling. Mansour Farhang and Ahmad Madani believe there likely was such an agreement and both men were very credible witnesses at the closed hearings; neither has, however, any direct evidence of any agreement and the circumstantial pieces they offer are fragmented and subject to various interpretations. Ghotbzadeh, who first made the allegation, is dead. Bani-Sadr, who continues to allege a secret

<sup>&</sup>lt;sup>829</sup> See, e.g. Chapter VIII (results of GAO investigation of Brenneke, Brian passport, Secret Service testimony, FBI surveillance of Hashemi, etc.)

agreement, has never produced any direct evidence thereof, and

has not been placed under oath.

The great weight of the evidence is that there was no such deal. Numerous individuals involved with the Reagan campaign have denied the allegation and provided credible accounts to the contrary. Carter Administration officials intimately involved in almost every aspect of the crisis, including negotiations with the Algerian intermediaries who dealt directly with the Iranians, had no reason to believe there was any such involvement by the Republicans. All objective events during the crisis, including the timing of the re-lease of the hostages on January 20, 1981, and the transshipment of American arms to Iran by Israel can be fully and reasonably explained without resorting to the theory of a Republican-Iranian deal.

In sum, the Special Counsel found that by any standard, the credible evidence now known falls far short of supporting the allegation of an agreement between the Reagan campaign and Iran to delay the release of the hostages.

#### b. Was Casev Fishing in Troubled Waters?

The evidence supports the conclusion that William Casey, while director of the Reagan campaign, was intensely involved in the hostage crisis and likely was dealing with Cyrus Hashemi, either directly or indirectly, through John Shaheen.

The Iranian hostage situation was the common denominator in the lives of Casey, Shaheen and Hashemi in 1980. Republican campaign records and the testimony of Reagan campaign operatives establish Casey's keen interest in following every aspect of the hostage crisis. 830 Cyrus Hashemi's life in 1980 was dominated by the hostage negotiations and the business opportunities created by the crisis. And Shaheen was a likely conduit. Shaheen actively consulted with the CIA from the outset of the crisis, and was intimate with both Casey (his old O.S.S. friend) and Hashemi (his banker and business associate). Shaheen is captured on the FBI wiretap discussing Hashemi's hostage-related activities, and speaking to Cyrus about Casey. Hashemi touts his relationship with Casey to others in conversations picked up by the FBI surveillance. Shaheen admitted to the FBI in 1984 that he had talked to Casey about Hashemi and the hostages before Casey became CIA Director. Admiral Madani testified convincingly that in 1980 he was troubled by what Cyrus told him about his relationship with Casey.

Casey's hostage-related activities as campaign director may not have stopped at contact with Hashemi. Two disreputable arms dealers, Stoffberg and Jacobi, place Casey in a London restaurant in the summer of 1980 speaking of hostages and arms. Houshang Lavi may have reached out with his hostage/arms proposals to

Casey's aide, Robert Carter, on October 6, 1980.

Finally, numerous witnesses have testified that it was entirely within Casey's character and capabilities to embark on an "extracurricular" hostage mission. Casey's O.S.S. background and his penchant for going outside normal channels are matters of record. His likely involvement in the Iran-Contra and "Debategate" scan-

<sup>830</sup> Chapter IV, supra.

dals suggest a man strongly committed to the proposition that the

ends justify the means.

An evaluation of Casev's involvement in the hostage crisis is influenced by whether or not he met with the Karrubis in Madrid. This question has proven to be the most difficult of the investiga-

Jamshid Hashemi was a very effective witness at the closed hearings. He seemed to be sincere and he unhesitatingly described the Madrid meetings in detail. He appeared voluntarily at great sacrifice to himself and his family 831 and was represented by extremely able counsel.832 On top of everything else, there is no rational motive for Jamshid Hashemi to have made up the whole Ma-

At the same time, Jamshid's credibility has been attacked by family members, 833 business associates 834 and intelligence organizations.835 In addition, Jamshid's testimony may conflict with some of the objective documentary evidence. Significantly, the evidence establishes that Jamshid had business in Madrid in the summer and early fall of 1980 independent of the hostage crisis and that Jamshid played a role in bringing Karrubi out of Iran to see Admiral Madani in Hamburg later in 1980. The investigation has also located Cyrus' home telephone toll records which reflect calls he most likely made from Connecticut during the last week in July. Most important, the investigation has established Casey's whereabouts with sufficient specificity to make it most unlikely that meetings over the course of 2 consecutive days occurred in Madrid during the last week in July.836

That said, the evidence to date does not eliminate the possibility Casey attended meetings in Madrid. Jamshid never was able to fix a firm date for the meetings and Casey's whereabouts for the entire summer of 1980 have not been completely accounted for so as to rule out a quick trip to Madrid. Many who knew and worked with him stated that Casey had a demonstrated ability to move about quickly and quietly even during his busiest times-including the

1980 presidential campaign.

In sum, at this time, the weight of the evidence is that the Madrid meetings did not occur as Jamshid claimed in his testimony at the closed hearings. There is no credible evidence that Casey, operating through Hashemi, concluded any infamous agreement or understanding intended to delay the release of the hostages. But that conclusion, while important, must be read in context with Jamshid's sworn testimony that Casey sought to expedite—and not delay—the return of the hostages, and with evidence of Casey's likely contact with Cyrus. The totality of the evidence does suggest that Casey was "fishing in troubled waters" 837 and that he conducted informal, clandestine, and potentially dangerous efforts on

scribe Casey's activities.

<sup>831</sup> He returned from Switzerland to testify where he had been tending to the health of his son, who had just been released from an Iranian prison after years of imprisonment and torture.

832 Charles Stillman, Esq., of New York.

833 Including his sister-in-law and brother, Reza.

<sup>834</sup> See, e.g., interview of Hashemi associate, Chapter VI, section (2).
835 See, e.g., Cogan dep. at 152.

<sup>836</sup> A nagging doubt about this conclusion remains in that July 26-27, 1980 are among the few missing pages from the loose Casey calendar pages.

837 During his testimony at the closed hearings, Admiral Madani used this expression to de-

behalf of the Reagan campaign to gather intelligence on the volatile and unpredictable course of the hostage negotiations between the Carter Administration and Iran.

#### c. What was the L'Enfant Plaza Meeting All About?

It is practically impossible, given the conflicting accounts of the L'Enfant Plaza meeting, to determine exactly what happened there, or why the meeting occurred in the first place. Nevertheless, the evidence does offer some insight into the Lavi and Ben-Menashe allegations. Moreover, it is possible, even without the benefit of a consistent version of events, to come to a preliminary assessment

of the motives and behavior of the American participants.

There was no credible evidence to corroborate Lavi's claims. Rogovin testified convincingly that Lavi would have shared such information with him. Rogovin's diary entries indicate that Lavi was at times thinking aloud with his lawyer about the possibility of contacting the Republicans, but this actually suggests all the more that a real meeting would have come up in conversation between lawyer and client. None of the participants recognized Lavi's name, and given their admission to having met with a man completely lacking in credentials, there would not appear to be any motive in denying Lavi was that man. Jamshid and Parviz Lavi's recollection of Houshang's fragmentary comments about McFarlane, Allen, Tower and Baker are consistent with Houshang's rambling conversational style that Rogovin described; neither Lavi brother could confirm that Houshang ever said he attended the L'Enfant Plaza meeting. The timing of Lavi's allegations is particularly suspect. He first came forward in 1989—after the appearance of several news articles on the L'Enfant Plaza episode based on interviews with Allen and Silberman. Lavi thus had access, for example, to the Silberman quote that "we have one president at a time." Moreover, Lavi's version of events added no new details to the available press accounts.

Ben-Menashe's version simply does not make sense. The idea that the Republicans would have insisted on meeting a low-level Iranian official accompanied by an Israeli intelligence "asset" in the United States is implausible. Ben-Menashe's account of the events and the people involved does not comport with the very basic description of the meeting that emerges with some consistency from the testimony of Allen, McFarlane, Silberman and Dawson. To accept Ben-Menashe's account would require dismissal of practically all other testimony received on the issue; Ben-Menashe's credibility

under oath hardly warranted such a conclusion.

None of the participants offered an adequate explanation as to why three busy men in the midst of an election campaign would take time to meet an individual lacking any apparent bona fides. The evidence indicates that at least McFarlane knew in advance of the meeting that the hostage issue would be involved. Dawson stated that the man contacted Tower's office interested in talking about the hostages and stressing his ties to Khomeini. The sensitivity to the subject is apparent in Allen's bringing Silberman, a former Deputy Attorney General, along as a witness, and in the choice of meeting in a hotel lobby several miles from Allen's downtown office. Even if the emissary made no mention before the meeting as

to the subject matter, it was clear he claimed to have Iranian connections and was interested at least in "U.S.-Iran" relations. That

topic, in September 1980, inevitably included the hostages.

Silberman and Allen are credible in asserting that they told the emissary that the Carter Administration had jurisdiction over the conduct of the hostage crisis. There is no evidence that any of the Americans had any further dealings with the emissary or that any formal understanding was reached. But Allen's own memorandum suggests that the meeting was not intended necessarily as the last word: as Allen wrote, "Both Larry and I indicated that we would be pleased to hear whatever additional news Mr. Mohammed might be able to turn up, and I suggested that the information be communicated via a secure channel." The tone of the memorandum does not correspond to testimony by all of the participants that the emissary was dismissed summarily.

Other troubling inconsistencies remain. Allen did not provide a convincing explanation for his failure to locate the memo until the weekend before he testified. Allen's claim that Butler was present or involved cannot be corroborated by Butler, McFarlane, Silberman or Dawson. Silberman and McFarlane had no recollection of the emissary having espoused the far-fetched theory that the Ayatollah had approved of a plan to put the Shah's son on the throne—

something that would have been fairly memorable.

The evidence on the L'Enfant Plaza meeting does not in any way support allegations of a deal to delay the release of the hostages. It does, however, suggest that Reagan campaign operatives were intent on gathering intelligence on the hostage situation and were willing to listen to individuals of dubious background and credentials in order to glean information that might be helpful to the campaign. In so doing, they were operating on the outer limits of propriety, considering their status as private citizens without authority to interfere in the conduct of the foreign relations of the United States.

#### d. Did Anything Happen in October 1980?

There is no credible evidence to support allegations of official. high-level meetings in Paris in October 1980 between Reagan officials and Iranians. As previously discussed, Brenneke's and Lavi's allegations have already been thoroughly discredited. Ben-Menashe has provided conflicting and far-fetched accounts of the Paris meeting and other events to a variety of journalists and investigators, without any supporting documentation. In his Senate testimony, for instance, Ben-Menashe abandoned the specific dates for the alleged Paris meetings that he had previously provided to several journalists. In his interview with congressional investigators, he placed Earl Brian at the alleged Karrubi-Bush meeting in Paris; questioned under oath at his deposition about the same meeting. he did not name Brian. Special Counsel cannot accept Ben-Menashe's allegations in the absence of any corroboration, and in the face of more credible testimony by Secret Service agents and the alleged participants at the October meetings. Allegations that Cyrus Hashemi was a participant are contradicted by the FBI electronic surveillance which conclusively places him in the United States during the critical days. The possibility that Casey traveled

to Paris in October is extremely unlikely given that Casey's whereabouts in the United States are now established for all but 2 non-

consecutive days in October.

It follows—and the overwhelming weight of the evidence supports the conclusion—that George Bush did not travel outside the United States in October 1980. Special Counsel remains firm in this conclusion despite the discrepancy between Tanis' recollections of the Chevy Chase Country Club luncheon and the October 19, 1980 Secret Service shift records for Barbara Bush.

There is some evidence, however, gathered by U.S. intelligence sources, that suggests that Paris and other western European capitals witnessed a flurry of activity relating to the hostage crisis in October 1980. Much of this material remains classified and is sketchy in detail. Special Counsel's best assessment of the events is that there were meetings involving arms dealers seeking to take advantage of the American embargo and the Iran-Iraq war, or perhaps self-styled intermediaries trying to sell their own kind of diplomacy in the waning days before the U.S. election and the anticipated resolution of the crisis. There is no reliable evidence that any of the participants of these meetings were associated with the Reagan campaign.

#### e. Were American-made Weapons Shipped to Iran Through Israel?

The investigation considered whether the weapons flow to Iran was the quid pro quo of an "October Surprise" conspiracy. A full analysis of arms shipments to Iran in 1980 was well beyond the capacity of the investigation; instead the investigation focused on the Reagan Administration's attitude toward possible Israeli transshipment of American-made weapons to Iran immediately after taking office. The evidence obtained thus far indicates that while the Reagan Administration in 1981 was aware of—and may have tacitly condoned—Israeli arms shipments to Iran, there is no proof that such arms traffic was related in any way to an agreement on the hostages.

Rather, the record demonstrates that Israel, intent on developing and maintaining its ties to elements in Khomeini's Iran, confronted two American administrations on the issue of transshipment of American-made spare parts and weapons. The evidence indicates that the Reagan Administration initially adhered to the Carter Administration's formal prohibition of transshipments, but from the outset sympathized with the Israeli position from an ideological

and strategic viewpoint.

It is apparent from the testimony of Ambassador Lewis and others that the Israeli leadership sensed an opportunity under President Reagan to effect a change in the policy. Eventually, as Haig, Lewis and Inman testified, the Reagan Administration relaxed the prohibition, dropping U.S. objections to the sale of Israeli-made equipment and later making an express exception for U.S.-made F-4 parts to maintain balance in the Iran-Iraq war. While the investigation found no firm proof of a hostage-related "wink and a nod" by any American official to Israel on the transshipment issue, it appears that the Administration had, by its actions, attitudes and private words, emboldened the Israelis further to test the limits of U.S. toleration of arms sales to Iran.

#### 4 THERE IS MORE TO BE DONE

None of these conclusions can be considered final until all investigative work is completed. While a subject as broad as the hostage crisis could be investigated endlessly, any final conclusion requires

completion of at least the following work:

 A review of the Hashemi electronic surveillance must be completed. About 150 reel-to-reel tapes have not vet been reviewed. In particular, the November-December 1980 intercepts should be reviewed with care. Just as time ran out for this investigation, Special Counsel had developed evidence that there may have been significant meetings in London and Paris in November 1980 involving Cyrus Hashemi, arms, hostages, and Iranian officials. 838 This evidence suggests the possibility of post-election hostage/arms meetings between operatives and Iranians or their emissaries. Such meetings likely would have had as their objective a solution to the hostage crisis prior to the Reagan Administration's coming into office. The propriety of such meetings during a transition period is debatable; all would agree that such contact would be qualitatively different than contact prior to the election.

• Full review of the recently received Casey materials is necessary. There were many names in the materials unfamiliar to Special Counsel. These people need to be contacted and interviewed so as to enable the investigation to account for the several remaining "blanks" in Casey's 1980 summer schedule.

• In some fashion, evidence from former President Reagan and from campaign documents stored at the Reagan Presidential

Library must be received and reviewed.

• There must be an official and determined effort to receive evidence from the relevant Iranians and Israelis. This likely will require formal requests to the governments of these countries, to be followed by witness interviews in the host countries.

Based on the presently available evidence, Special Counsel does not believe public hearings on these allegations are now warranted; a final determination on whether to hold such hearings, however, can only be made when all outstanding investigative work described above is completed.

#### 5. FINAL REMARKS

It is the hope of the Special Counsel that this preliminary effort will help shed some light and bring some finality to the "October Surprise" allegations. It is the view of the Special Counsel that this effort has value, both to resolve these serious allegations and to bring to the surface policy issues of importance. Whatever occurred in 1980 in connection with the hostage crisis, it is clear from our investigation that the foreign policy responsibilities and use of intelligence material by an opposition party are subjects that need clarification. Even a Republican effort in 1980 to speed the return of the hostages or simply to gather information on the hostage crisis could have profoundly complicated official negotiations with

<sup>&</sup>lt;sup>838</sup> As noted in Chapter V, days before these meetings Shaheen told Cyrus on tape that "Casey (is) head of the transition team"; that "we're one team that works together"; and that "I want you to lunch with the guy."

Iran. Perhaps the Logan Act should be reviewed with the experi-

ence of this crisis in mind.

Also worth further consideration is the advisability of using intermediaries like the Hashemis in sensitive foreign policy roles. The evidence strongly suggests that Cyrus Hashemi was at least attempting to play the role of double agent by acting as an intermediary for both the Carter Administration and the Republicans, all the while endeavoring to line his own pockets through illicit arms shipments to Iran. In addition, the investigation revealed that the United States was involved in sensitive covert operations in Iran in 1980. The wisdom of such efforts in general is certainly worth more analysis and debate. Finally, the investigation underscored just how often American arms were the medium of exchange in the Middle East at the time of the hostage crisis and how they affected almost every aspect of our foreign policy in the region; a determination of the desirability of this state of affairs is as relevant today as it was in 1980.



#### **APPENDIX**

1. Testimony of James Hinchman Before the Subcommittee on Near Eastern and South Asian Affairs, U.S. Senate Foreign Relations Committee, November 21, 1991

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United States General Accounting Office

#### Testimony

Before the Subcommittee on Hear Emmleth and South Asian Affairs Committee on Foreign Relations United Blates Benate

For Roleage at 8:00 a.m. EST Thursday November 21, 1991

Preliminary Inquiry Into Alleged 1980 Negotiations to Delay Release of Iranian Hostages Until After November Election

Statement for the Record of James F. Hinchman General Counsel



GAO/T-OSI-92-4

Mr. Chairman and Members of the Subcommittee:

We are pleased to submit for the record a discussion of our preliminary inquiry undertaken last year into the facts surrounding allegations made by Richard Brenneke for which he was tried in his May 1990 trial on charges of making a false declaration before a federal court. Mr. Brenneke alleged that he and high-ranking officials of the Reagan-Bush campaign staff had met with Iranian officials in Paris, France, in October 1980, to negotiate delaying the release of the Iranian-held American hostages until after the November election. This preliminary inquiry was requested on July 5, 1990, by the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations.

In summary, during our preliminary inquiry we were unable to develop evidence to corroborate Mr. Brenneke's allegations.

#### THE REQUEST

After several meetings with the Subcommittee staff and a staff representative of the House Committee on Foreign Affairs, we and the staff agreed that the sensitivity of the subject demanded that we periodically keep the Subcommittee staff apprised of developments and that we limit the scope of the inquiry to specific issues identified by the staff. The

Subcommittee staff also asked that the Subcommittee not be identified as having requested the inquiry. At the time of the request, GAO's long-standing written policy, which had evolved over time in response to congressional needs, allowed requesters of GAO reviews and investigations to request anonymity during the course of the investigation itself. This policy has since been changed. It is now GAO's policy to identify the requester of any review or investigation when asked for that information.

#### THE INQUIRY

As the Subcommittee staff requested, the initial focus of our inquiry was the statements made and evidence introduced at the Brenneke trial. We first reviewed the trial transcript and extensive evidence obtained by the defense attorneys through discovery, including the results of numerous Federal Bureau of Investigation interviews related to the subject. We also interviewed Brenneke, his two attorneys, and the prosecuting attorney. Brenneke and his lawyers reiterated Brenneke's statements that he had participated in and arranged a meeting in France in October 1980 attended by William Casey, then the Republican presidential campaign manager; Donald Gregg, then national security council staff; representatives of the Iranian government; and individuals working for the French, British, and Israeli governments. However, they provided no documentary evidence in support of these statements. Information furnished

by Brenneke and his attorneys in support of his allegations was extraneous or unsupported, or would have required extensive investigative activity beyond the scope of our inquiry. The prosecuting attorney declined to provide any comment outside the official record of the government's case and the investigation it undertook to prepare for trial.

Brenneke was charged with making a false declaration at the sentencing of an associate, Heinrich Rupp, who had been tried for bank fraud. One of the statements attributed to Brenneke was that he saw then candidate George Bush in Paris in October 1980. Brenneke's attorneys referred us to a transcript of Brenneke's trial testimony and a letter he had sent to the trial's presiding judge in which he stated both that his information was provided by Heinrich Rupp and that his prior statements at Rupp's trial needed clarification. In Brenneke's clarified testimony and in our interview of Brenneke, he claimed no first-hand knowledge of Bush's presence in Paris in October 1980. He stated that his information came from Rupp, who allegedly piloted one of the planes carrying officials to the meeting.

Through his attorneys, Rupp declined several requests for an interview. In lieu of an interview, his attorneys provided a videotaped interview of Rupp by a television reporter in which Rupp reiterated his statement that he had seen someone who he was fairly confident was Bush in Paris in October 1980. The

attorneys provided copies of airline identification cards and an envelope from a Paris hotel, none of which were supportive of the allegations.

To further clarify the facts surrounding Rupp's alleged flight to Paris, we contacted the Federal Aviation

Administration and charter aircraft companies allegedly involved and obtained flight logs for one of the planes allegedly involved. We also checked what we had been told was Rupp's description of the weather on the day of the flight against meteorological records at two alleged refueling locations. We found no evidence to support the allegations about the flight to Paris. Additionally, an interview of another charter airline pilot alleged to have participated in or arranged the flight failed to yield any corroboration. Contact with an official of a second charter aircraft company allegedly involved also yielded no witnesses with information of assistance to us.

We were asked to review relevant Secret Service
documentation and conduct interviews as to George Bush's
whereabouts on the dates in question. A review of relevant press
articles and Secret Service records placed then candidate Bush in
the United States the weekend of October 17 - 19, 1980, the
weekend he was alleged to be in Paris. During interviews of
supervisory Secret Service agents assigned to candidate Bush, one
agent recalled accompanying Bush to the Chevy Chase Country Club

for a luncheon engagement with Supreme Court Justice Potter
Stewart on October 19, 1980. Although a review of Justice
Stewart's appointment calendars retrieved from the Yale
University library revealed no entries for appointments on
October 19, 1980, Secret Service logs reflect a motorcade to the
country club on this date. Interviews of personnel at the
country club yielded no documentation of this event, as records
for such activities are not maintained.

As requested by the Subcommittee staff, we periodically supplemented these inquiries with interviews of other individuals identified as having pertinent information, specifically Casey's former secretary and a number of journalists. These interviews did not corroborate the allegations.

Supplementary inquiries to the Customs Service in an attempt to identify records of reentry into the country by the parties allegedly involved were unsuccessful because such records were no longer maintained.

We regularly briefed the Subcommittee staff throughout the course of this inquiry. During February 1991 discussions with the staff, we agreed to terminate our inquiry and, given the limited nature of the inquiry, to issue no written report. Since terminating the inquiry, we have conducted numerous briefings of Members and staff of both the Senate and the House of Representatives regarding the results of our work.

2. Letter From Senator George Mitchell to Senator Claiborne Pell, August 5, 1991

GEORGE J. MITCHELL

Anited States Senate
Office of the Majority Leader
Mashington, BC 20510-7010

August 5, 1991

Senator Claiborne Pell Chairman Committee on Forgign Relations

Senator Terry Sanford Chairman Subcommittee on Near Eastern and South Asian Affairs

Dear Senator Pell and Senator Sanford:

In recent months allegations have been made in the media and elsewhere that individuals associated with the political campaign organization of then presidential candidate Ronald Reagan entered into a secret agreement with representatives of the government of Iran. Allegedly, the agreement was to delay the release of U.S. hostages until after the Reagan Administration took office in 1981 in exchange for the subsequent sale of arms to the government of Iran.

The alleged actions are reported to have included a third government or governments and other third parties in the sale of or the promise of the sale of weapons.

While I am not aware of any conclusive evidence of any such agreement, the seriousness of the allegations and the weight of circumstantial information compel an effort to establish the facts. This is particularly so in light of accusations that present and former high U.S. government officials were involved, although I accept President Bush's statement that he neither participated in nor had any knowledge of any such contacts. Former Presidents Reagan and Carter and President Bush have all expressed the view that these allegations should be laid to rest once and for all.

Senator Claiborne Pell Senator Terry Sanford August 5, 1991 Page Two

I am writing to request that the Senate Foreign Relations Committee, through its Subcommittee on Near Eastern and South Asian Affairs conduct a thorough and fair inquiry into these allegations. I believe this inquiry should include testimony, under oath, of individuals involved and the subpoena of all necessary documents and records. The inquiry should determine whether or not public hearings on the matter are warranted.

Every effort should be made to coordinate your work with the comparable inquiry to be conducted by the House Committee on Foreign Affairs.

Upon completion of your inquiry, a full report should be made to the Senate together with any recommendations.

Sincerely,

George J. Mitchell

#### 3. Senate Resolution 198, 102d Congress

111

Calendar No. 343

102D CONGRESS 1st Session S. RES. 198

[Report No. 102-200]

Amending Senate Resolution 62 of the One Hundred Second Congress to authorize the Committee on Foreign Relations to exercise certain investigatory powers in connection with its inquiry into the release of the United States hostages in Iran.

#### IN THE SENATE OF THE UNITED STATES

OCTOBER 16 (legislative day, SEPTEMBER 19), 1991

Mr. Sanford (for himself, Mr. JEFFORDS, and Mr. MITCHELL) submitted the following resolution; which was referred to the Committee on Rules and Administration

OCTOBER 17 (legislative day, SETTEMBER 19), 1991 Committee discharged; ordered referred to the Committee on Foreign Relations

> NOVEMBER 1 (legislative day, OCTOBER 29), 1991 Reported by Mr. PELL, with an amendment

NOVEMBER 1 (legislative day, OCTOBER 29), 1991
Referred to the Committee on Rules and Administration
[Omit the part struck through and insert the part printed in italic]

NOVEMBER 21 (legislative day, NOVEMBER 20), 1991 Committee discharged; ordered to be placed on the calendar

#### RESOLUTION

Amending Senate Resolution 62 of the One Hundred Second Congress to authorize the Committee on Foreign Relations to exercise certain investigatory powers in connection with its inquiry into the release of the United States hostages in Iran.

1	Resolved, That Senate Resolution 62 of the One Hun-
2	dred Second Congress (agreed to February 28, 1991) is
3	amended
4	(1) in section 2(a), by striking "\$55,873,148"
5	and inserting "\$56,469,148"; and
6	(2) in section 12(b)—
7	(A) by striking "\$2,774,561" and inserting
8	"\$3,370,561"; and
9	(B) by striking "\$45,000" and inserting
10	"\$117,000"; and
11	(2) by adding at the end of section 12 the fol-
12	lowing new subsection:
13	"(d)(1) For purposes of the expeditious conduct at
14	any time or place by the Subcommittee on Near Eastern
15	and South Asian Affairs of the Committee on Foreign Re-
16	lations of its duly authorized inquiry into allegations that
17	private United States citizens acted to delay the release
18	of United States hostages in Iran until after or Govern-
19	ment officials acted to manipulate the timing of the release
20	of the United States hostages in Iran in relation to the
21	1980 presidential election, the Subcommittee may—
22	"(A) authorize staff to conduct depositions of
23	witnesses under oath, including oaths administered

1	by individuals authorized by local law to administer
2	oaths, for the purpose of taking testimony, and to
3	receive books, tapes, papers, documents, and other
4	records in connection with such testimony,
5	"(B) require, by subpoena or order, the attend-
6	ance of witnesses and the production of books, tapes,
7	papers, documents, and other records at such staff
8	depositions; and
9	"(C) adopt and publish in the Congressional
10	Record rules (not inconsistent with the Standing
11	Rules of the Senate) which shall govern for all pur-
12	poses the Subcommittee's conduct of this inquiry.
13	"(2) The powers authorized by this section shall be
14	supplementary to such other powers as are lawfully au-
15	thorized for the Subcommittee.".

Calendar No. 343

1020 CONGRESS 18T SERRION

S. RES. 198

[Report No. 102-200]

#### RESOLUTION

Amending Senate Resolution 62 of the One Hundred Second Congress to authorize the Committee on Foreign Relations to exercise certain investigatory powers in connection with its inquiry into the release of the United States hostages in Iran. era summer eller vær v

NOVEMBER 21 (legislative day, NOVEMBER 20), 1991 Committee discharged, ordered to be placed on the calendar

4. Senate Hearing 102-463, 102d Congress

S. HRG. 102-463

# WHETHER THE SENATE SHOULD PROCEED TO INVESTIGATE CIRCUMSTANCES SURROUNDING THE RELEASE OF THE AMERICAN HOSTAGES IN 1980

#### **HEARING**

BEFORE THE

SUBCOMMITTEE ON
NEAR EASTERN AND SOUTH ASIAN AFFAIRS
OF THE

# COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

NOVEMBER 21 AND 22, 1991

Printed for the use of the Committee on Foreign Relations



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#### WHETHER THE SENATE SHOULD PROCEED TO CIRCUMSTANCES INVESTIGATE SURROUND-ING THE RELEASE OF THE AMERICAN HOS-**TAGES IN 1980**

## THURSDAY, NOVEMBER 21, 1991

U.S. SENATE. SUBCOMITTEE ON NEAR EASTERN AND SOUTH ASIAN AFFAIRS OF THE COMMITTEE ON FOREIGN RELATIONS. Washington, DC.

The subcommittee convened, pursuant to notice, at 8:07 a.m., in room 419. Dirksen Senate Office Building, Hon. Terry Sanford (chairman of the subcommittee) presiding.

Present: Senators Sanford, McConnell, Jeffords, Wofford, Sar-

banes, Murkowski, Kerry, and Robb.

Senator Sanford. The committee will come to order. The Subcommittee on Near Eastern and South Asian Affairs has called these hearings, probably for both today and tomorrow. We anticipate at the moment that we will suspend operations here at 10 a.m., and begin again tomorrow at 9 a.m.

The U.S. Congress has an oversight obligation to represent the people in making certain that their National Government is being operated effectively, and appropriately, and within the bounds of the law. The duty falls to the Congress to examine serious allegations of extraordinary wrongdoing within the Government process.

There is no simple way for Congress to carry out those obligations. It can, and has, created a process for the employment of special counsel within the structure of the administrative branch. The legal complexities, the political conflicts, the difficulties of focus

and direction by Congress, make this less than satisfactory.

Congress can, and has, created special investigative committees to conduct public inquiries, but this approach is fraught with inefficiencies of partisan differences. Standing committees and subcommittees have been assigned investigative tasks, and most effectively when that assignment is made by the full Senate. This is the approach chosen by the Senate leadership in responding to the persistent charges that unwarranted and illegal actions were taken to delay the release of the Americans who had been taken hostage from our Embassy in Iran.

The Senate Foreign Relations Subcommittee on Near Eastern and South Asian Affairs was asked to take responsibility for inquiring into these old but enduring charges that the Reagan/Bush

Presidential campaign engineered the delay of the release for political advantage in exchange for the illegal transfer of military

equipment to the Iranian Government.

The ranking Republican member of the subcommittee, Senator Jeffords, and I did not volunteer for this assignment. We accepted it as a duty to lay to rest as true or false, these allegations of extremely heinous actions. In accepting this task, neither Senator Jeffords nor I bring any presumption of the truth of allegations. Certainly for my part, personally in any event, I hope we can quickly demonstrate that there is no factual basis for the charges.

The threshold question is whether there is enough evidence to constitute probable cause to justify going forward with the investigation. That is the purpose of these hearings. If there is probable cause, then the Senate must decide whether it wants to proceed, and if so, it must enact an authorizing resolution empowering the commission to subpoena witnesses and documents, and to take evi-

dence under oath.

While this committee might proceed without such a resolution, the sounder policy is to make this inquiry a function of the entire Senate. To make this decision to proceed, both the Senate and the public need to know how great the likelihood is that there is evidence of these alleged actions. If there is little or no chance that these activities occurred, then there is no need to go forward. It is to seek an answer to that question and that is why we are here today.

Senator Jeffords and I had hoped to avoid undue publicity and speculation until after a thorough staff inquiry had been made by a professional, nonpartisan staff. We still hope that we can take this approach. To do so requires authority to engage staff, issue subpoe-

nas, and take depositions.

Today, we will examine three witnesses. We will proceed with the conclusion of my opening statement. We will then turn to the ranking member, the Senator from Vermont. Then we will ask questions first of Mr. Scott and Mr. Rosen. Then in turn each member will have an opportunity to make an opening statement, and to ask questions. Then we will turn to Mr. Sick.

Senator McConnell. Mr. Chairman, may I ask a question?

Senator Sanford. Yes.

Senator McConnell. Do I understand you correctly that any Senators other than you and Senator Jeffords cannot make an opening statement until after we have heard the first witnesses?

Senator Sanford. That is correct.

Senator McConnell. I wonder why that procedure is put in

place?

Senator Sanford. Well that is because the chairman decided that was the best procedure to get all of the evidence in, and to accommodate the two witnesses.

Senator McConnell. And is the chairman going to swear the witnesses as well?

Senator Sanford. Yes. I want to quote into the record a letter designated "An Open Letter to the U.S. Congress From Eight Former American Hostages in Iran."

For the last 10 years there have been rumors, reports, and allegations of foul play in the 1980 Presidential election. The thought that any American, whether a pri-

vate citizen or Government official, may have participated in delaying release of the

hostages for political gain, is distressing.

Until recently, these allegations have been dismissed as unsubstantiated. But substantial enough information has been presented by respected and persistent investigators, to warrant a thorough examination of this matter. It is not appropriate to say there is insufficient proof until there has been an official investigation. The question of whether there is evidence of any wrongdoing must be answered by an unbiased bipartisan congressional investigation with full subpoena power. Unless this happens, speculation and unanswered questions will erode public confidence in our electoral system.

It seems to me that the Senate would be derelict if it ignored this request from these former hostages. I wonder if you care to now make a statement?

Senator JEFFORDS. Yes, certainly Mr. Chairman. I would like to join you in expressing my appreciation to the witnesses for being here this morning, and set aside their many activities to do so. I

deeply appreciate it.

As the chairman has indicated, neither he nor I asked for this task. But when the majority leader announced that the subcommittee would be asked to conduct this investigation, we both agreed that it should be carried out in a professional and nonpartisan manner. We agreed that any staff would work under the joint jurisdiction, and that all decisions would be made jointly by myself and the chairman.

Our guiding principles for this investigation reflect this agreement. The goal of this investigation should be to seek the truth. Rumors about an October Surprise have circulated for a decade, dogging both President Reagan and President Bush. Both of them

have an interest in putting these allegations to rest.

We also realize that even the best intentions to conduct a thorough, fair, and impartial investigation can get swept up into the larger political implications of this matter. The 1980 Presidential election was a very emotional one for both parties. Some people are still bitter about the outcome. These allegations are now being directed at a very popular two-term former President, and an equally President up for reelection in less than 12 months. Obviously things could get out of hand.

As the ranking minority member on the subcommittee, I take very seriously my responsibility to see that all persons are treated fairly, that the tough questions get asked, and proper leads are pursued. Any conclusion reached by this subcommittee must be credible, both within this institution and before the American

public.

As you know, the Foreign Relations Committee approved Senate resolution 198, providing for a 6-month investigation into these allegations. The matter now rests before the Rules Committee. It must be approved by the full Senate before the subcommittee will

commence a real investigation.

This hearing today is not meant to launch such an investigation. Rather, its purpose is to hear testimony on what evidence you have that warrants the expenditure of considerable time, effort, and money by the Congress. Charges and countercharges have been circulating in the media for some time. And we appreciate your being willing to testify on why you believe this investigation ought to take place.

Ultimately that decision will be made by the full U.S. Senate. But if the Senate does decide that this investigation should go forward, we owe it to the American people to ensure that it is thorough, fair, and conclusive. Thank you, Mr. Chairman.

Senator Sanford. I wonder if you three gentlemen would mind taking an oath at this time. Please raise your right hand and stand. Do you solemnly swear that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God.

The WITNESSES. I do.

Senator Sanford. We have with us today two Americans, Barry Rosen and Charles Scott, who were held hostage by the Iranians from November 1979 until January 1981. These two witnesses were among the signers of the letter to Members of Congress that called for an investigation. These two people, along with 50 other Americans, were public servants who were serving their country in Iran at the time of the Embassy takeover. No one suffered more than these brave people during the 444 days of their captivity.

And although they were isolated from knowledge of the outside world during their long ordeal, they perhaps more than anyone else have an interest in knowing whether the serious allegations surrounding the length of their incarceration are true or not. I have placed in the record the full letter that was written to the U.S. Congress, and I think your testimony may help us decide the manner and the extent of the investigation that might be warranted in this matter.

[The information referred to follows:]

AN OPEN LETTER TO THE U.S. CONGRESS FROM FORMER AMERICAN HOSTAGES IN IRAN

June 13, 1991.

Dear Members, The Iran Hostage crisis of 1979-81 was a very trying time for our nation. The people and government of the United States were shocked and angered as the Iranian revolutionary forces attempted to use the U.S. Embassy hostages as political pawns. Effort to gain freedom for those who were held proved frustrating and difficult. After 444 days of captivity, the hostages were returned, but the impact continues to affect us.

For the last 10 years there have been rumors, reports and allegations of foul play in the 1980 presidential election. The thought that any American, whether a private citizen or government official, may have participated in delaying release of the hostages for political gain is distressing. Until recently, these allegations have been dismissed as unsubstantiated. But substantial enough information has been presented by respected and persistent investigators to warrant a thorough examination of this matter.

It is not appropriate to say there is insufficient proof—until there has been an official investigation. The question of whether there is evidence of any wrongdoing must be answered by an unbiased, bipartisan congressional investigation with full subpoena power. Unless this happens, speculation and unanswered questions will erode public confidence in our electoral system.

Respectfully,

Charles W. Scott, Barry Rosen, Moorhead Kennedy, Jerry Plotkin, David M. Roeder, Robert C. Ode, Kevin J. Hermening, Donald R. Hohman.

Senator Sanford. I would like to call first on Mr. Scott. Begin, I think, by telling us something of your background, your position at the U.S. Embassy, and your present activities. And then, if you will describe generally, but with as much detail as you care to provide, your treatment and the conditions of your detainment.

## TESTIMONY OF CHARLES W. SCOTT, FORMER HOSTAGE, ATLANTA. GA

Mr. Scott. My name is Charles Wesley Scott. At the time of the takeover of the American Embassy in Teheran on November 4, 1979, I was serving as chief of the defense liaison office there, which up until that time had been known as the ARMISH MAAG, the military assistance and advisory group to the Iranian armed forces.

I was sent to Iran about 9 weeks before that, primarily because I speak Persian and had served in Iran before, and had been a student of that area for a number of years. I was a foreign area specialist on the Middle East in the military.

During the time that we were held prisoner, during the first 3½ weeks I was tortured. They thought I was the CIA station chief. We spent a lot of time in solitary confinement after that. We were poorly fed. I wrote a book about it called Pieces of the Game that pretty well explains the entire ordeal.

But I am not here because I was a former hostage. I'm here because I was one of the signers of the letter that was sent to the Congress on June 13. I am back here some 5 months later requesting once again, that the Congress investigate the allegations. I have no firsthand knowledge from the point of view of whether or not there was an October Surprise, and that's part of the dilemma. I do have some information concerning the Iranian interest in arms even during the period that we were held hostage, and I think that's very significant.

I've been very disappointed in the last few months, especially over the last month or two, that the whole question of the October Surprise seems to have turned into a petty partisan political issue. And I think it really—the importance of it goes way beyond that.

Senator Sanford. Well I would certainly agree with you, and I think that the distinguished Senator from Vermont agrees with you. That this should not be a political issue, petty or not. It has nothing to do with undoing an election, even if were that drastic. It has been pointed out it does go to the process itself. And indeed, the kind of process that should not be in any way, even indirectly, given any kind of sense of approval that this is the kind of thing that would be acceptable.

And so we agree with you completely, and I would like you to proceed just a little bit now to tell us about your concept of the need for arms, and anything else related with the time that you were moved from place to place in captivity.

Mr. Scott. We knew that Iran needed arms. They had purchased in excess of \$20 billion worth of U.S. made military equipment during the reign of the Shah. And my reason for being there was to assist them in continuing at least the flow of spare parts, the safety of flight equipment, and so on for their armed forces.

They were beginning to hurt even before the Embassy went down. In fact we had received the first new money—because there had been a decision made by our Government that until the trust fund situation was completely settled, and we knew whether there was an excess amount of money, or whether that thing was going to wind up in the red, there would be no new foreign military sales cases for—to Iran.

We had received the first new money, ironically, just after the Shah entered the United States, 13 days before the Embassy was taken over. We got a check for \$5 million, and that's just an example of how interested the Iranians were in continuing the flow of at least spare parts for their military equipment. It took a tremendous amount of courage for an Iranian in late October 1979 to sign a check to the United States of America.

After we were captured I was very much out of touch for a number of months. But the next time that the arms issue came up was on May Day of 1980, when I was in a prison in Tabriz. When the man who's now the Faghi of Iran, the replacement to the Ayatollah Khomeini, the Ayatollah Khomeini came to my prison cell in his role as Deputy Minister of Defense and Iman Jomei of Tehe-

ran, the Friday prayer leader.

And in the course of other discussions—he had come there just to see me—and in the course of our discussions he asked, if he were to release me, how long would it take before I could go back to Washington and reinstitute the flow of spare parts for the Iranian military. I won't tell you exactly what I told him then because it wasn't very polite a response. But in effect I said that it would be a long time before the United States would be willing to cooperate with Iran in view of the taking and seizing of the American Embassy and the holding of the entire American Embassy staff as hostages.

So there was a real need and a genuine concern in Iran that they needed military equipment. And much of it had to come from the United States or from U.S. sources, because they had purchased almost all of their military equipment from the United States prior to the demise of the Shah.

Once the war with Iraq started many of the guards periodically would talk to me. They became much friendlier then. They wanted my advice and understanding of what they were going through. And a number of them, from time to time, talked about shortages of spare parts, shortages of military equipment, Iran's isolation at the time.

So there was a definite understanding in Iran, even within the revolutionary circles and the people who held us who called themselves [the witness spoke in Farsi] the Islamic Students—Followers of the Iman's Path. They understood that their country had a problem with weapons. So from the Iranian side, that was where it stood.

Senator Sanford. I am going to ask the distinguished ranking member to carry on the questions.

Senator Jeffords. On what other occasions subsequent to that were you approached with requests for assistance in getting spare parts? Were there any other occasions?

Mr. Scott. Not by anyone in authority. No. Not specifically for spare parts or anything. In that general discussion of the shortages that Iran was experiencing, but nothing specific and not by anyone in authority from the Iranian Government at the time.

Senator Jeffords. During the period of your captivity there, were there any other pieces of information, or indications that you

received that there might be negotiations going on with anyone for the obtaining of military supplies from the United States?

Mr. Scott. Specifically on obtaining military supplies, no.

Senator JEFFORDS. Well, any other way?

Mr. Scott. There were specific discussions in October, before the election, that things were winding down and there was a very good possibility that we were going to be going home, as they said [witness spoke in Farsi], very shortly, soon.

Senator JEFFORDS. Do you remember when that discussion took

place?

Mr. Scott. Over that entire month. We had almost daily——

Senator Jeffords. The month of October?

Mr. Scott. Yes. And then there was a tremendous letdown on the part of one of the guards that I got to know very well, a man named Akbar Hussani, who brought a radio into our cell so we could hear the election returns, and he thought, along with that, there was going to be an announcement made that the hostages were going to be released. And there was a genuine disappointment among the guards after that didn't happen on November 4, after President Carter was defeated.

Senator JEFFORDS. Who was it that brought the radio in-I am

sorry, I missed that.

Mr. Scott. One of the guards, a man named Akbar Hussani, and of course, it was illegal even within their structure for him to bring a radio in. He brought a little portable radio in so that he and I could listen to the news broadcast as the election results were coming in, in the United States. And he had reason to believe, or he felt—and sincerely—because he was very distraught when he found out it was not going to happen. He sort of thought that at the end of that news broadcast or some time during that news broadcast, it was going to be announced that the hostages were going to be released.

I've talked to a number of the other hostages, including my former cellmate of the last few months that I was there, Navy Capt. Don Sharer, and, in fact, he reminded me of some of the things that happened in October, where it was sort of common dis-

cussion among the guards that we were going home soon.

One of the questions we asked frequently is when are we going home, naturally. That would be a natural question, and you could go by body language and what people weren't willing to say and the tempo and the mood in October, among our guards, was very positive. Immediately after the election, it—it slipped dramatically.

Senator Jeffords. What slipped, I am sorry.

Mr. Scott. The attitude of our guards—their positive attitude. They wanted to get it over with just as much we did. They were tired after 13—13 months of their—12 months at that time, exactly

1 year with their responsibilities.

The veneer and the shine had worn off of being hostage takers and they wanted to see it end just as much as we did. Many of the people who had the mundane task of taking us to the bathroom and guarding us and so on, and that morale—if you want to call it that—among the hostage takers didn't begin to pick up again until the second Christmas, about the time that we were moved to an-

other location and the food improved, and it began to look as though we were being fattened up to be released.

Senator Jeffords. The discussions were keyed to the election and

to before the election?

Mr. Scott. What discussions?

Senator Jeffords. The discussions about, with the guards, et cetera, about being released?

Mr. Scott. They were keyed to the election.

Senator Jeffords. To the election.

Mr. Scott. Yes. sir.

Senator Jeffords. And so it was the expectation that—I suppose you could draw several conclusions from that, I suppose, is that is one, it depended on who was elected, and since it did not occur, were there any thought that it was because Carter was not reelected?

Mr. Scott. No. I never interpreted it that way. I believe very sincerely that our guards—and I'm not—I don't know that they had access to all of the information, but they certainly had a lot more information than we did.

I believe that they sincerely thought—because they had been told by the leadership, the people they worked for in Iran—that something positive was going to happen after the election on November 4, 1980. I don't believe that Akbar would have taken the chance to bring a radio in and be as open with me as he was, at that point, unless he thought this was going to be a day of celebration.

Senator Jeffords. Now, was there any other indications than those you have already mentioned, during the period you were in captivity, that gave you indications that there might be any kind of a deal going on, or a swap for arms, or interest in getting arms?

Mr. Scott. When we—when I have sat down and we did this at one time a year or so ago, with Gary—Dr. Sick, based on a book that he had written before, and he and I are friends, and talked about what was going on in Washington, and what was allegedly going on, the October Surprise and how those things impacted, if at all, on our conditions in Iran. There were several points that were. For example, fear of a second rescue mission. We were moved rather dramatically before the election in 1980, to a prison called Evin, one of the worst in the world.

They had not planned that in advance. It was obvious there had been no advance party go out to set up the prison for us. We were moved there in the middle of the night, just 12 or 14 of the hostages, as sort of hostages for the hostages, in case the United States attempted another rescue mission. So I think that the Iranians had been tipped off that there was a possibility that the United States might try another rescue mission, before the election.

Senator Jeffords. Now, are there any other facts that have come to your attention subsequent to your captivity that indicate that there might have been some sort of a deal, relative to the so-called

October Surprise?

Mr. Scott. If you look at the entire U.S.-Iran relationship, since we were released on January 20, 1981, where the United States—where we know that Iran has been the great white father, so to speak, of Hezbollah and Jehadi Islami in Lebanon, you look at the various terrorist operations launched by Iran that we know Hezbol-

lah and Jehadi Islami were involved in, and you look at the seizing of 16 or so Americans as hostages in Lebanon since March 16, 1984, for varying periods, with three of them still being held there, and consider the U.S. inaction to directly challenge Iran as the controller of Hezbollah, and then contrast that with our rather aggressive action in places like Grenada, Libya, Panama, and, of course, Iraq, after the invasion of Kuwait on August 2 of last year, and you have

to think that there's more there than meets the eye.

I wrote a number of articles in the 1980's, 1983's, 1984's, and 1985's, and reread those recently and I could sense my own frustration—how come my Government can't seem to understand that Iran has been responsible for a lot of these things, and why do we seem to handle our—why do we seem to respond to Iranian actions differently than we did—than we would against some other countries. And so that has sort of led me to believe that there's something behind the scenes that I don't know about certainly, that—that has tainted our relationship, or has caused our relationship with Iran to be different than it would be if Iran happened to be a Libya or a Panama or an Iraq.

Senator Jeffords. Let me clarify one other—back to the guards talking about release. There was no indication that there would be

a release before the election. In other words—

Mr. Scott. You mean, say, in July or August, or something like that?

Senator Jeffords. Or October. There was no indication that it

was all conditioned on the election, as far as your memory?

Mr. Scorr. I don't know that it was conditioned on the election, but in terms of the timing, it happened to be at—during the period and the buildup just before the election. There were a couple of other times when we had our hopes up, for example, but I—in thinking back, it was more our own psychological—trying to convince ourselves psychologically that they might do it the first Christmas, for example. And there were one or two other times that—that we sort of began to get the idea that things might be looking up and that we might be released, but they weren't nearly as—none of them were as strong in indications, or as positive a response as from our guards as we got in October.

Senator Jeffords. Well, you said that you believed it was mostly

your own dreams and hopes, rather—

Mr. Scott. Early on I'm sure that's what it was. We didn't have

any idea what was going on in the world.

Senator JEFFORDS. You got no specific pieces of information or indication from the guards or other Iranians that might have led you to that, that you can remember?

Mr. Scott. No, sir. None whatsoever. Like in any relationship—and it's not Stockholm Syndrome—as time went on, after a year or so, because of my ability to glean information from guards, I found myself in a position to have a lot more information then than I did during the first few months.

We were in a total communication vacuum almost the entire time that we were there. No news from the outside world basically

at all.

Senator JEFFORDS. Now, is there anything else other than that you have already related, that you would like to inform us as to

areas that we should look to determine the truth and veracity of

claims here, that might help us in this investigation?

Mr. Scott. No. I—as I said, I don't have any firsthand knowledge of the October Surprise, but I have—I am very much interested in it. I have a grandson and I want to be able to tell him 20 years from now, if he says was there or was there not hanky panky in the 1980 election that resulted in you and the other hostages being held, rather than being released? I want to be able to tell him the truth and I can't do that now, because I frankly do not know. And I get a little bit disturbed at the various—this thing is really being tried now in the news media, and that's not where the responsibility and obligation should be for looking into this matter.

I was a little appalled by the recent Newsweek article, the November 11 issue. They concluded after an 8-week investigation by a group of reporters, working without subpoena power, that Casey didn't go to Madrid, the Paris meeting didn't occur, and essentially, according to the Newsweek article, the evidence is myth. That's a

cover story. I'm not satisfied with that.

I think that the allegations raised by a number of competent, media people and investigators, including Gary Sick's book that I just finished reading last night, warrant a full-scale investigation. I'm not satisfied with this being the adjudication of a matter like this and I don't think the American people would be, and I'm, sure the Congress shouldn't be. I would like to see it put to rest, one way or the other.

I don't know whether it happened or not. If it did, the Congress needs to look at it so that we can make sure it doesn't ever happen again. If, in fact, as Senator Sanford said earlier, if it can be proven early on that absolutely nothing happened, that this is just a great masterfully executed disinformation program, then I'll be

the first to stand up and cheer.

Senator Murkowski. What if it can't be proven either way?

Mr. Scott. Well, then at least we will have the best judgment of the people who are best qualified to look into the matter, the Congress of the United States.

Senator JEFFORDS. Thank you, Mr. Chairman, and I know members on my side would like to ask some questions. I did not know

what your policy is.

Senator Sanford. Well, I think we will finish this second panel by going now to Mr. Rosen, and then we will come back to the various members for their opening statements and for the questions of the members of this second panel.

Senator Murkowski. I assume, Mr. Chairman, that is going to be some time from now, by the time all the members have had an op-

portunity to question the witnesses.

Senator Sanford. That is inevitable.

Senator Murkowski. I have an intelligence meeting at 8:30 a.m., with the new director, Mr. Gates, so I am going to have to excuse myself. I will attempt to be back later on for the opening statements.

Senator Sanford. We will keep the record open, obviously, for anything you want to put in it, but we will probably meet again tomorrow morning. Mr. Rosen, would you please give us an indication of your own background, your position at the Embassy, your

present activities, and to whatever degree you care, what went on

while you were in captivity.

Senator Kerry. Mr. Chairman, before he begins, if I could just say, I apologize for interrupting and simply wanted to say that I cannot be present through the entire morning. I am chairing a hearing on BCCI at 9 a.m., and I apologize for that, but I just want to powerfully associate myself with your efforts here. I think that you are to be congratulated for bringing these panels here.

I have had occasion to talk with a number of former hostages and have heard them explain to me, personally, why they believe, as people who have been subject to this, that there is credible evidence that merits at least investigation, and I am on record already as supportive, but I simply wanted to associate myself with that, at this point, and I congratulate you for proceeding forward.

Senator Sanford. Well, we thank you very much, Senator.

# STATEMENT OF BARRY ROSEN, FORMER U.S. PRESS ATTACHÉ TO IRAN

Mr. Rosen. Senator, my name is Barry Rosen. I was the U.S. press attaché in Iran from November 1978 to January 20, 1981.

Senator Sarbanes. Mr. Rosen, could you pull the microphone a

little closer to you. I think it would be helpful.

Mr. Rosen. As I said, I was the U.S. press attaché from November 1978 to January 20, 1981. I have a long history of intimacy with Iran. I was a Peace Corps volunteer in 1967 to 1969 in Iran. I have graduate degrees in Iranian studies and I am presently assistant vice president at Brooklyn College, the City University of New York, and I also teach courses on the Middle East and specifically on Iran.1

At the time that I was in Iran, I was taken in captivity twice. First, on February 14, 1979, which was the first takeover of the U.S. Embassy, only 2 days after the revolution succeeded. At that time, the Embassy was taken for 1 day and we were very close to being executed, and if it weren't for, ironically, the adherents of Ayatollah Khomeini, we would have been murdered that day by left wing guerrilla groups.

Then, again, on November 4, 1979, I was taken as a hostage. In fact, I was taken hostage quite quickly, because my office was directly across from the gates of the Embassy. I have some opening

remarks if I can read them.

Senator Sanford. Please.

Mr. Rosen. I'd appreciate that. First I'd like to quote an American, President Woodrow Wilson, and an Iranian historian, Ahmed Kasravi. They both say something that is relevant to whether Congress should move ahead with indepth committee hearings on alleged conspiracy, sometimes referred to as the October Surprise.

In 1916, President Wilson said: "Just what is it that America stands for. If she stands for one thing more than another, it is the

sovereignty of self-governing people.'

Kasravi, though writing about Iran in the early 20th century, could also be remarking on the contemporary American scene, when he wrote: "That the worst calamity that can befall a nation is disunity."

For me, there are at least three reasons why I believe that Congress must move ahead with hearings that come to grips with the

phenomenon known as the October Surprise.

One, I am a boy from Brooklyn, and like many of us, we were taught to take life head-on and grin and bear it. It's not in any sense machismo, but rather a very American thing not to express pain and hurt. Most of us who have gone through the hostage trauma, who were forced to live in darkness, tied up, sometimes alone and always terrified that yesterday would be the last day on Earth—that my life would end without ever being able to express how much I cared for my family—we have rarely spoken of the psychic pain, because it just isn't done in our society.

But for me, the notion that I might have unnecessarily endured 3 months more of terror and was the pawn for the personal gain of individuals working in a Presidential campaign committee is too profound a personal shock to keep silent and to stoically accept as

another act of cynical political behavior in our country.

I have heard people express the desire to forget the events of 1980 and 1981. Put the memory behind us and get on with the business of life. I have heard people say that a fair investigation requiring testimony under oath would only open up old wounds for those of us who were held hostage. Well, the way to put events behind us is to investigate them. No reexamination can be as painful to me personally, as the notion that I spent 100 days longer because of the self-serving actions of a handful of Americans, and that their deeds go unpunished. Therefore, for personal reasons I want to see hearings pursued, and fact and fiction differentiated.

Two, my father was a Jewish-Polish immigrant who taught his sons that public service to his adopted homeland was the highest of ideals. Because of him, I joined the Peace Corps as a young man and served in Iran, a place that I had come to respect many years before my assignment in 1978. I don't want to think of myself as naive, but the notion that private citizens might have had the arrogance and the disdain for our constitutional system and sought to undermine the foreign policy of a duly elected American administration for their own personal political gain goes smack against what my father believed, what I believe in, and what I know you and the American public believes in.

Therefore, I am concerned that not only could I have been a victim of Iranian terrorists, but also that Americans, freelancers who were not constitutionally responsible for executing American foreign policy might have committed treason and possibly commit-

ted a coup against our democratic institutions.

Three, I have absolutely no partisan interests in pointing fingers at, and by innuendo, indicting members of the Republican Campaign Committee of 1980. Any attempt by individuals to do that is reprehensible and repugnant to our political process. However, unless the alleged October Surprise conspiracy is thoroughly investigated, in an unbiased and a nonpartisan manner, innuendo will continue and might well poison our political system for years to come.

If indeed, and I am hoping that that is so, the conspiracy is found to be unsubstantiated, then only a fringe element will attempt to keep it alive. It will die a well-deserved death by the American public and we will all feel we have cleared an important constitutional hurdle. If, however, a congressional committee with full subpoena power, finds that the threads of allegations were in reality the acts of treason, then the American people and the Constitution will be well-served with the prosecution of those responsible for their despicable behavior.

One way or another, it behooves Congress to meet the allegations head-on, not only for those of us living today, but for our future generations. Otherwise, Kasravi's observations on disunity will

haunt us indefinitely. Thank you.

Senator Sanford. Thank you. Would you mind reviewing your relationship with the guards and your view of their attitude during

say, the last 3 months that you were in captivity?

Mr. Rosen. Well, let me just outline some of the behavior throughout that period toward me. According to what the guards had told me, I was being convicted in the Iranian media as a spy and plotter against the revolutionary regime, because I was the press attaché in the Embassy. And apparently, under my direction, according to the media, I was being accused of undermining the Iranian press and also attempting to control the media in favor of U.S. foreign policy.

And they were telling me that when the trials proceed, the Iranian trials proceed, that I would be put on trial for that accusation.

There were other actions that the Iranian guards had specifically done to me, that is, there were mock executions of sorts during the period. In February 1980, I was held, blindfolded for the first 3 months along with Colonel Scott and many others. I was moved in April 1980 and landed up first in Qom and then in Isfahan Province for about 3 months.

And then in June 1980, I was moved to Komiteh Prison and stayed there until December and then moved again to a place near,

I think, the Shah's palace.

There are some specific pieces of information that are hard for me to at least understand, but perhaps they might be useful for the committee. I know that in August 1980, the only piece of information, public information, that I was able to receive from the Iranians was a Time magazine article concerning the Republican conventions of 1980.

Other than that, there was no information at all in any of the American media at that time. I thought it was rather ironic that the Iranians were asking me about the candidate, about the Republican candidate Reagan, about who he was and what type of President might be be.

I did also, for the first time, get the opportunity to listen to the American media previous to the elections. Our guards did bring in, several days before the elections and then on the election morning, shortwave radios and we were listening to the Voice of America

concerning the elections.

I can tell you this. Throughout my captivity, I was in total isolation. Never had they ever given me a piece of information nor did they permit me to listen to any news broadcast. And I thought that that was quite interesting. Their interests in the elections were uppermost in their minds.

Throughout the captivity, of course, they were also talking about a better U.S. Iran relationship once this is over. I did believe that our treatment proceeded to get far better in the summer and in the fall of 1980. Even though we were transported from Isfahan to Teheran to a maximum security prison, the same prison, I may tell you, that the Shah of Iran used against his political dissidents. This is the same prison that Khomeini's adherents used against his enemies.

We were in another cell block but I was able to hear people being tortured in other cell blocks. But what was interesting, I felt very much so, was that I'd rather be in that prison than being in Isfahan where I was in total darkness 24 hours a day; just one shaft of light coming through the ceiling, absolutely no idea of what was going on in the world.

Whereas, at least in this prison, there was one window and there was some fresh air, because the prison was so hot they broke all the windows and we were permitted, at least, to breath some fresh

air and get some light through the windows.

I felt that they were trying to be a bit more humane. They even put in indoor-outdoor carpeting on the floor and told us that this prison cell used to be used by 16 or 18 of the Shah's political prisoners, now four of us can use it. We were even given more opportunity to read magazines, not magazines, but books. And, in fact, video tapes once in a while were provided to us. We were able to go out and look at some National Football League games.

Senator Sanford. Now, when was that?

Mr. Rosen. That was again in the, more so in the fall. I would say from September to December and I can't give you the exact dates.

Senator Sanford. What kind of books?

Mr. Rosen. A wide variety of. I think—I have some advanced degrees, I could have gotten another B.A. in reading. I must have devoured 300 books from biology to the history of the Napoleonic period and so forth and so on.

Senator Sanford. In English?

Mr. Rosen. In English, These were our books. These were the U.S. Embassy library books.

Senator Sanford. I got you.

Mr. Rosen. I felt very strongly that I'd rather be in Komiteh Prison than anywhere else, because I think even our food was far better at that time. And they saw—they no longer saw us, I thought, two-dimensionally. We were human beings in their minds, too. And they had spent so much time with us, they were getting tired of us. But they also thought of us as partners after awhile.

Senator Sanford. Now, what were the circumstances that you received the single copy of Time magazine?

Mr. Rosen. At one moment, I don't remember exactly who the guard was, but I was sitting in my cell with three others and the guard proceeded through the door and this was sometime in August. It must have been about 1 week after the conventions took place. And he only gave me the article on the convention.

Senator Sanford. Not the entire magazine?

Mr. ROSEN. No. I landed up, in my cell sometimes, as the translator. Because of my fluency in Farsi, I landed up to be the one that they would talk to sometimes, so that they gave the magazine article to me.

Senator Sanford. This was in English?

Mr. Rosen. English version, yes.

Senator Sanford. What was the conversation? What was the sequence of actions and activities and interests in the article after

that point?

Mr. Rosen. The conversations were varied and most of the time they would take place when the guards would take us to the bathroom. And much of the conversation had to do with the reputation of, at that time, Governor Reagan. The guards were worried whether possibly they might have more difficulty dealing with the new administration or not, if there were a new administration and what type of individual, what type of President would Reagan be.

Senator Sanford. Were these the regular guards?

Mr. Rosen. One was the leader, Akbar, and others were lower

level guards.

Senator Sanford. But you did not have the impression that any outside governmental interrogator was coming to talk about the article?

Mr. Rosen. No, you see, it's very hard and I think we have to understand that, for the early period of our captivity, the Government of Iran, and one has to really understand who indeed, was their Government, did not really have full control over us. That

was the ongoing situation.

But I think by the time of the summer of 1980, undoubtedly those people around Khomeini were pulling the strings much more so than the students themselves, and obviously, much more than Beni Sadr, who was the apparent President of Iran, who, in my judgment, had absolutely no power vis-a-vis those people around Khomeini.

Senator JEFFORDS. Mr. Rosen, as you know, at the proceeding today, we are just trying to ascertain as to what information may be out there which we should follow up on to determine as to whether or not there is a veracity to the charges of the October Surprise conspiracy within the Reagan administration.

First of all, with respect to the bringing in of the radio and listening to the day before, I guess, the election, was there any indication to you that it made any difference who won the election as to a significance to whether one party or the other won the election?

Mr. ROSEN. Obviously. There's no doubt about it. The guards were in favor of Reagan's victory over President Carter. There's no doubt about that in my mind. And they expressed that very clearly all the time. They just wanted to know what type of individual they were dealing with.

In Iranian society, institutions are not as important as the person and so they were trying to size up who "may be the next

Shah" would be in the United States.

Senator Jeffords. Did they give you any indication as to why they held that belief, that it would be better to have Reagan than Carter?

Mr. ROSEN. They despised President Carter and we were lectured many times. They felt in varied conversations that President Carter supported the Shah through thick and thin, that he undermined the human rights movement in Iran by first, supporting the human rights movement and then not supporting the human

rights movement.

They felt very strongly that President Carter was just one in a long line of American administrations that kept the Shah alive. And in their opinion, the Shah was only a puppet of the United States.

Just one other piece of information that I thought about and that was on September 22, we were sitting in our cells and there were air-raids in Teheran. And the air-raids were very close to Komiteh Prison, so I think Komiteh Prison is close to the airport. And we were shaken up by that. And I think undoubtedly the guards were shaken up concerning the Iraqi bombings and there was much concern about reassuming an American, a relationship with the United States.

Many of my guards were saying to me, perhaps one day soon when we're together again, I can get a visa, a student visa, and go

back to the United States and study.

Senator Jeffords. In the letter that you wrote to Congress and signed, I believe you were the No. 2 signatory on it, you, the sentence was included: "But substantially enough information has been presented by respected and persistent investigators to warrant a thorough examination of this matter."

Could you delineate to me those specific pieces of information that had come to your attention that had led you to be a signatory

to this letter and that statement?

Mr. Rosen. I, over the last several months, more than that, I had been reading pieces of work that have been done by specialists in the field, whether Christopher Hitchins or Gary Sick and others, a wide variety of material. But for me the questions of the Madrid meetings, the meetings in Paris and so forth, there was enough of an openness in there and question concerning the behavior patterns of individuals who were working on the Republican campaign to warrant an investigation.

I myself have not participated in any research on that. It is not my area of specialization. But as a layman and as an individual who was a victim of those 444 days, reading the material, it seemed quite substantial at this moment for me to feel quite strongly that

it is imperative and important for Congress to look at it.

The material is Mr. Sick's work also.

I have questions of whether this did or did not occur. And that's

why I'm here today.

Senator Jeffords. Other than the specific instances you refer to during your period of captivity, has any information come to you personally that would be factual information rather than hearsay?

Mr. Rosen. No. not at all.

Senator Jeffords. Thank you, Mr. Chairman.

Senator Sanford. Senator Robb. I think we will proceed with any opening statement and I would hope we could limit each Senator initially to no more than 15 minutes, preferably maybe 10 minutes of questions, though I do not want to be too arbitrarial on that; I am just watching the clock.

Senator Robb. Mr. Chairman, I am going to put you 15 minutes ahead of schedule right off the bat. I have no opening statement. I

am prepared to participate in the hearing, but I am not going to have an opening statement.

Senator Sanford. Do you care to ask any questions?

Senator Robb. I was going to ask a question of Mr. Sick. I understand you wanted to question the former hostages first.

Senator Sanford. Yes. Let us take this panel and then move to

Mr. Sick when we finish this.

Senator ROBB. If that is the case, I am going to pass temporarily.

Senator Sanford. Senator McConnell.

Senator McConnell. Mr. Chairman, first I would like to ask if any of the other hostages were asked to testify.

Senator Sanford. Mr. Kennedy was asked to testify, but could

not be here today and will be here tomorrow.

Senator McConnell. Were any of the other hostages beyond these three asked to testify?

Senator Sanford. No.

Senator McConnell. So we do not know what their views might be?

Senator Sanford. Well, they certainly can be called.

Senator McConnell. So the answer is only these three were called.

Senator Jeffords. Only these three for today. If, certainly, Senator, if you have any others or you would like to call others or have us call others, we would be happy to do so.

Senator Sanford. We just took the top three.

Senator McConnell. As you know, it is my view that this is largely a waste of the taxpayers' money so I am just curious to know whether the appearance of any other hostages before the committee were discussed, prior to the hearing.

Senator Sanford. Not by me.

Mr. Scott. Senator, I am not spending any taxpayers' money today. We are up here at our own expense.

Senator McConnell. I know that. And I appreciate your views

and do not mean to demean them in any way.

But I do want to say to the two hostages that you have suggested that no one has pursued this other than the press. In fact, it has been pursued quite a bit by the Tower Commission and by the Iran Contra Committee.

Let me quote from the majority report of the Iran Contra Committee:

The Reagan campaign aides were, in fact, approached by individuals who claimed to be Iranian intermediaries about the potential release of hostages as were other campaign staffs. The committees were told that the approaches were rejected and have found no credible evidence to suggest that any discussions were held or agreements reached on delaying release of hostages or arranging an early arms-for-hostages deal.

I am going to make an opening statement that is not necessarily just responsive to the testimony that we have heard. The Chairman indicated that was permissible.

Senator Sanford. Absolutely.

Senator McConnell. As I was just saying at some point the Tower Commission, the House and Senate Select Committees on Iran Contra or the independent counsel have considered every di-

mension, every angle, every issue before this committee today. The

country has been put through enough.

The congressional Iran-Contra investigation cost the taxpayers millions of dollars with 50 staffers fanning out across the country looking for information to corroborate allegations made by the press. They could not prove what some people want to prove. The independent counsel has been at work now since December 1986, costing the taxpayers \$27.6 million with 38 people looking for evidence of Presidential wrongdoing; 5 years later we find the two most important cases against North and Poindexter summarily dismissed. The independent counsel could not prove what some people want to prove.

And then we had the Tower Commission review many of the allegations we will hear, I assume, from Mr. Sick. As if that were not enough investigation, the Intelligence Committee shoveled through this heat during the Gates confirmation hearing. And they could

not prove what some people want to prove.

Even the press is not buying this nonsense. In the last few weeks, both Newsweek and the New Republic have laid waste to the allegations charge by charge, line by line. I think we could save the taxpayers at least \$600,000 that the majority members on this committee recommend we spend by simply handing out and reading these two articles. As a matter of fact, I saw a couple of reporters, on Fox Morning News a couple of weeks ago and they pointedly suggested to the Senate that they would be more than happy to save us the money. They had already done the work. All we had to do was to read their articles.

So now where are we? Millions of dollars later we are still responding to uncorroborated allegations of witnesses who are relying on hearsay, gossip, innuendo, and in some cases, the outright

lies of totally incredible, totally incredible scandal-mongers.

Let us look at some of the sources that Mr. Sick and others have relied on. Barbara Honiker. It is true she worked for the Reagan campaign, or maybe I should say the person calling herself Barbara Honiker worked for the campaign. After all, she publicly admits to making decisions based on communications from little voices that contact her. She may be qualified to answer questions on the paranormal and parapsychology, which she pursued a masters degree in, but I am not convinced we should view her opinion as reliable. Maybe we should find out the source of her channeling and call him or her in as a witness.

Actually we do not have to look far because she claims one of her sources is the notorious Richard Breneky, well-known liar extraordinary before this very committee. Mr. Sick has called him a man of courage for pursuing his misguided convictions. Our committee called him what he is, a liar. His stories change so fast, it is impos-

sible to keep up with.

But the very premise of his information is he claimed that he worked for the CIA, a claim publicly denied by the CIA. In fact, in a memo which we relied on in earlier committee proceedings, the CIA felt so strongly about Breneky's fantastic fabrications that they departed from their historic practice of neither confirming nor denying employment and denounced him as a liar.

Now we have to remember it is not all Breneky's and Honiker's fault. They relied on sources at the Executive Intelligence Review run by Lyndon LaRouche. The last I checked this was the outfit that firmly believes the Queen of England and Henry Kissinger conspired in international drug trafficking. Enough said about

their considered opinion.

Next we have the ex-President of Iran, Bani Sadr. By my count his story has changed at least five times. He claims his memory improves with time. I think the only thing that improves is his Nielsen ratings and the amount of time he gets in the press. Let us remember this is the same credible fellow who said Jimmy Carter and Zbigniew Brezinski conspired with Saddam Hussein to invade Iran and restore the monarchy. If you believe his allegations about a secret Reagan campaign staff deal, why not swallow the whole pig in this perjurious poke.

The last major player in this game of liar's poker is one, Ari Ben Menoshi. According to the Intelligence Committee ranking member, Senator Murkowski, who was here earlier, the committee found his story totally incredible. All I know is this guy began shopping his story around when he was being held in a Federal

prison in New York for illegal arms deals.

I really have to wonder what the Senate and the world is coming to when we listen to the ravings of channelers, liars, felons, and flat-out flakes. Millions of dollars and years and years of investigatory work later, I think it is fair to say that there is no serious evidence today that was not available to the congressional committees, the independent counsel, and to the Tower Commission.

To those who say we should pursue this to lay it to rest once and for all, I am convinced that we will never lay this to rest until we lay the President to rest. There will always be conspiracy-minded partisans who, for a buck or a book contract, will be willing to

smear the President and those around him.

I think the taxpayers in our country have suffered this partisan witch hunt long enough. Sooner or later we are going to hear our constituents ask us to stop. If we offer a forum and lend the committee's credibility to advance outrageous and unsubstantiated

charges, we surely will be guilty of nothing less.

Now, obviously, Mr. Chairman, I feel very strongly as do virtually every member of the Republican caucus that there is no substantial credible evidence to pursue this matter further. Obviously, our party is not in the majority here and the majority can do what it wishes. And I gather that is what we are beginning to do today. But we do not intend to have a bipartisan investigation of something that does not need investigating.

Senator Sanford. You care to ask any questions?

Senator McConnell. I think I am going to save my questions for Mr. Sick, because frankly, the hostages, by their own admissions have said they had no firsthand knowledge of the October surprise. Mr. Scott said that he had no firsthand knowledge and I am satisfied with both of the witnesses' observations about that point.

Senator Sanford. Senator Wofford.

Senator Wofford. Mr. Chairman, Senator Jeffords.

I, too, have read recent articles in Newsweek and the New Republic which claim to "debunk the myth" that the events alluded

to in Mr. Gary Sick's book ever took place.

I also have considered a rebuttal of the New Republic article by Robert Parry who has investigated the so-called October Surprise for the PBS show, Frontline. He in short debunks the debunkers. And I note that Ted Koppel said the other night that he was confused and is equally uncomfortable with those who are certain that the case has been made that members of the Reagan-Bush campaign helped delay the release. I am just as uncomfortable with them as I am with those who declare the whole story a farce.

Clearly the only thing that has been proved so far is that journalists have neither been able to prove nor disprove that secret negotiations took place between some members of the Republican campaign team of 1980 and Iranian representatives. For me, this is the most compelling argument for a thorough, fair, and impartial

investigation of these allegations by this subcommittee.

I am confident that the investigation by this committee will be just that; thorough, fair, and impartial. So I believe the investigation should be given the means to proceed.

I have some questions for Mr. Sick and I appreciate the testimo-

ny of the two hostages.

Senator Sanford. Do you care to address Mr. Scott and Mr. Rosen?

Senator Wofford. Not at this time, no.

Senator Sanford. Senator Robb.

Senator Robb. Mr. Chairman, could I ask just one question of the

two former hostages?

And that is, are either one of you aware of any of your fellow hostages that have specific information that you think might be especially relevant to this investigation that in your judgment we ought to call to testify at some point before this hearing, anyone who may not have been contacted in connection with this investigation, or anyone who would have information that would extend beyond the observations that you have been able to share about the kind of treatment you received at certain times during the period of time that you were held?

Mr. Scott. I don't know of any, Senator.

Mr. Rosen. I don't either, Senator.

Senator Robb. OK. Thank you, Mr. Chairman.

Senator Sanford. Mr. Scott, would you elaborate a little bit on the conversations you might have had toward the last of the captivity, toward the day of the inauguration, when you were listening to the radio and the period surrounding that? What was the tone of the conversation of the guard or guards relative to what was going on in the United States?

Mr. Scott. Strangely enough, after the election on November 4, 1980, the communication vacuum reappeared in earnest. We didn't really get information of what was going on in the United States. The guards were more friendly. Once we moved on the second

The guards were more friendly. Once we moved on the second Christmas to the other location that Mr. Rosen mentioned, I think it had been the former Ministry of Foreign Affairs' guest house reequipped with steel doors and steel windows, the treatment improved, the food improved. They sent a wish list around each day,

what would you like to have. And each day I wrote at the top of the list in Farsi, freedom.

And I watched the reaction of whatever guard it was that came in when he read that list because I could tell a great deal about what was going on by their reaction. And up until, oh, a few days before we were actually released, the story was always the same—it will come, you can be certain, but it won't be for a little while, not a long time, but it will come. And then, of course, a couple of days before January 20, 1981, we were basically told that we were going home on the 19th, at least. And then that didn't pan out. And we finally got out of there on the 20th.

But there were no specifics discussed with me about American politics or about Reagan coming into office or Carter going out of office or anything like that. We were going then primarily then on the way the guards reacted to questions and sometimes our little wish list, as I mentioned.

Senator Jeffords. Let me ask you this last question, Mr. Rosen, Mr. Scott. I was a captain in the Naval Reserve. In January 1981, just prior to the release of hostages, I was on board the U.S.S. Ranger in the Persian Gulf and serving with Admiral Hardisty, who was the man in charge at that time.

And the feeling was that the reason the Iranians were likely to release the hostages was they were scared of Ronald Reagan and that he was going to kick butt, or whatever the expression was. And I know from my observation of the tactics which were being utilized by planes and all that we were doing everything possible to indicate and to intimidate the Iranian Government at that time. It strikes me as to being somewhat inconsistent with your indications that the guards were pleased with Ronald Reagan being elected and that they expected your release because of that election, except, at least from the view I was getting at that time from all that was going on was that the reason that might occur was they were afraid we were going to attack.

And I just wanted to relate that to you and ask for your, to see if that is inconsistent or you can explain why I would have had that view and certainly, obviously serving with the military, you can understand why they have a different perspective and they are prepared to do things. But I would like your observations.

Mr. Rosen. I don't particularly think that that was uppermost in the Iranian minds at that time. I honestly feel to a large degree that they want, at least from the student point of view, they wanted to get rid of us. We were a liability, both to them and to the Iranian Government at that time.

I mean, if one were to be very objective about this whole thing and look at it historically, undoubtedly the invasion of Iran was avery important point of departure for the Iranians in the negotiating process. They had—they needed to improve their situation militarily. And in the world, within the world community, too, they were having tremendous amount of trouble in the U.N. And also the resupply would be far, far better if they were considered a member of the international community. And the only way that would occur, and also the release of perhaps \$8 billion worth of their own money, would be if they would get rid of us.

. ) . :

I mean, it's not terribly inconsistent with what's happening in Iran today. President Rafsanjani is no great democrat. He is changing Iran's foreign policy on the basis of a deteriorating economic system in Iran. And therefore, the buttons are being pushed all over the place to release the hostages in Lebanon so that Iran can now, once again, reassume a respectable place in the international community.

I think in this instance, Iran in 1980 really was under tremendous amount of pressure domestically to release the hostages. We were no longer of any real political use. We were of tremendous use to the Iran from November 4, 1979, to perhaps the new year. The constitution was written in December 1979 when Khomeini was able to destroy the moderate opposition in Iran and force down the throats of modern Iranians the concept of Veliatè Faghi, the sort-of dictatorship of the rightly guarded jurists.

By doing that, from that time of on, we were of no real importance. By using us for the first several months to destroy any moderate opposition, we were quite, quite useful. But when it came to the economic and military deterioration of Iran and the diplomatic isolation of Iran, holding hostages was just not the thing to do.

Mr. Scott. We did—during the summer of 1980, the Iranians, to them Ronald Reagan was a—they didn't know anything about him. They thought he was an ex-cowboy movie actor gunslinger-type thing, and I picked up on that theme when they started to ask what will happen if Ronald Reagan is elected President, and one of the things I did frequently when some of the guards would come in and talk to me, I'd just shake my head and go boom—boom. In other words, there'll be a nuclear attack on Iran.

And we ran our own little counterpropaganda program to convince them that you guys are lucky now, because President Carter is a humanitarian, but if Ronald Reagan or anyone else is elected President and comes into office, it's all over. It's only a matter of time before they come over here and just blast Iran into the stone age, and then they'd counter with, but you'll be killed, and I'd smile and say yeah, but so what? It really doesn't matter at this stage.

So a lot of the—they genuinely, I think, feared Ronald Reagan, the people who held us. Now, how far that carried up into the Iranian Government—I cannot believe—knowing the Iranian psyche and having studied Iran for half of my life, I can't believe that Iran was so afraid of Ronald Reagan that they decided to set up a storybook scenario and release us at precisely the moment that he took the oath of office on January 20. I just can't—I really don't believe they were that afraid, and to me, even to this day, I have a little trouble understanding the Iranian rationale for releasing us at that precise moment.

They're gamblers. The bazaar mentality would dictate that you hold them a little longer to kind of get a feel for what Reagan might do, to see what kind of a deal can be cut. You're always open for a better deal. That's the bazaar mentality, and the fact that they released us precisely as Reagan came into office has always been a puzzle to me.

Mr. ROSEN. Senator, let me just add one thing. I think that more than anything else the Iranians hated President Carter, more than

fearing the possibility of President Reagan. I think that has to be understood very much historically in Iran. President Carter was the epitome of all the evil that America in their minds stood for, and I think more than anything else, it's that hate of President Carter rather than the fear of—of the possibility of President Reagan, in terms of the release. There's no doubt about it, they wanted President Carter to suffer as much as possible, to embar-

rass him as much as possible.

As I said to you before, they saw President Carter, and obviously National Security Adviser Brzezinski as behind machinations of some sort in keeping the Shah afloat, and they couldn't forgive the President historically for supporting the Shah in September 1978, the day called Black Friday—September 7, or September 8, 1978, when Iranians were murdered in Jale Square. And in I think a very politically unastute move by the American administration at that time, President Carter calling up the Shah and saying, I still support you 100 percent, without discussing or even stating how much—how upset he was at the murder of so many Iranians, innocent Iranians who were marching in the street who were given the right to protest, and then the day before the Shah instituted a military government, and the people were not aware that they didn't have the right to march any more. President Carter was indicted for that in their minds, very much so.

So history is very important in understanding what's going on there as much as an assumption by two or three Iranian students

about how much they love or hated President Reagan.

Senator Jeffords. It is sort of troubling to me, and in my mind, because the perception of Carter here was he was a vacillating and——

Mr. Rosen. Far from that, he-

Senator JEFFORDS [continuing]. Not willing to exercise power and weak, and you had Ronald Reagan looking strong and intimidating, and then to try to reconcile that with the feelings that you've -

Mr. Rosen. Well, if one looks at American foreign policy during the Carter administration, undoubtedly President Carter has to be historically applauded for his role in supporting human rights around the world, and I think that's what America does stand for. Unfortunately, many times we don't do those things—self-satisfied at home, but not too aggressive about that abroad.

But unfortunately for President Carter, he was caught up in a situation, like most American administrations were caught up, visa-vis the Shah. The pipeline was open, and it was hard to shut the pipeline, the military pipeline, if one can say. The contracts were moving on from the Nixon-Ford administrations, where the Shah

wanted in nonnuclear weapons.

President Carter, I think, wanted to stop that, but he particularly had a very difficult time, and so weaponry continued, and the Iranians maintain that one of the worst—that is, opponents of the Shah maintain, that one of the worst periods in Iran was 1976,

was given a carte blanche to get almost anything he possibly

after the great oil boom.

They had a great inflation, and then a very terrible recession in Iran, and the Shah continually was buying billions of dollars worth of armaments, and Iranians at that time were losing jobs, construction jobs. People were moving into the cities of Teheran without any employment and the infrastructure was falling apart, but yet the Shah of Iran was still receiving weaponry, or ordering weapon-

ry that for many was totally unnecessary for Iran.

And President Carter was assumed by many in the opposition as twisting—that is, for the first year or two of his administration. he was very hard on the Shah in terms of human rights, civil liberties. in fact forcing the Shah in many ways to change the court procedures of Iran, and pushing the Shah to the point where he permitted opposition groups to march in the street, to write letters of opposition, Writer's Union was talking about the freedom of the press, and so forth, but yet on the other hand, when it came to the arms relationship the United States was still supporting Iran in that area, in that venue.

And then push came to shove, when the United States was very much unaware that the revolution was happening quite quickly. President Carter I think with some very bad advice, continued to support the Shah to the bitter end, and for those people in the opposition, it seemed to me that he wasn't particularly supportive of the revolution, that he wasn't particularly hard on the Shah.

In fact, he was the epitome of what American administrations were in Iran—those people who supported a regime that oppressed Iranians for at least 25 years, that committed a coup in Iran and undermined a regime that was—a country that possibly could have had some democratic institutions from 1953 on.

So I think President Carter ought to be applauded for what he did in many ways, but in many ways, too, he was considered by Iranians as being tough, arrogant, and in their minds a murderer,

supporting the Shah's regime.

Iranians knew very little about Governor Reagan, absolutely nothing, really, about him, other than what was in the public domain in terms of Time Magazine, Newsweek-the cartoons of President Reagan, perhaps wearing a cowboy hat and so forth, and Iranians were always fascinated with the American West, and they wanted to know about him.

But surely they despised President Carter more than anything else, rather than looking toward Governor Reagan in our release.

Senator Jeffords. Any other comment, Mr. Scott?

Senator Sanford. Mr. Scott, how do you—excuse me. Do you want to make an opening statement now?

Senator Sarbanes. I just want to put some questions, but I'll do

it when the proper time occurs.

Senator Sanford. Yeah, well let me just ask one question and then you may go ahead.

Mr. Scott, how do you answer the contention that this matter

has already been investigated enough?

Mr. Scott. I think if it had been we wouldn't be here today and it wouldn't still be getting a lot of press coverage. I'm asked the question—I work as a professional speaker now, and I haven't done a presentation in the last 6 or 8 months where even if the subject had nothing to do with the Iranian experience, people would come up and say, what's the story on the October Surprise, and did it happen or didn't it happen?

So it has not been resolved in the view of the American people. There are questions out there on the street, and I don't think it can—it may never be resolved, even by an investigation. The first law in the intelligence community is plausible denial, we all know that, and it's the same with any group that would even consider circumventing our legal system for political gain, so there may not be a paper trail.

But I still think the only way that these back-and-forth allegations and name calling, and that's been sort of sad, really, to hear someone of Gary Sick's stature attacked personally. I know of no man that I've worked with in 30 years in the military and the 10 years that I've been out that I think has a higher level of integrity

than Mr. Sick.

I may not agree with everything that he has in his book, but there's an awful lot of information there that hasn't been resolved, and I think we need to get away from this idea that all of the—all of the people who have appeared with these allegations immediately are attacked as pathological liars, criminals, some sort of deviates or drug users, or just plain flakes. That's the easy way out. I'm not a flake, and I've seen enough information so that I'm

I'm not a flake, and I've seen enough information so that I'm convinced in my own mind and in my own heart that this thing needs to be resolved. I don't have an answer, and I think we owe it to the United States of America to find whatever can be found of

an answer.

Senator Sanford. Thank you. Senator Sarbanes.

Senator Sarbanes. Thank you very much, Mr. Chairman.

Mr. Scott and Mr. Rosen, let me ask you first, as I understand it, neither of you asserts that there was a conspiracy. You are asserting that there is sufficient credible allegations of something taking place that you feel it requires a proper, official investigation with the tools to conduct such an investigation—

Mr. Scott. That's absolutely correct, sir.

Senator SARBANES. In order to try to find out what the facts are, is that correct?

Mr. Scott. That's absolutely correct.

Mr. Rosen. Yes. sir.

Senator Sarbanes. So in your mind, you—I mean, that leaves open a conclusion that in fact it didn't happen, or it leaves open a conclusion that something did happen. In effect, you don't know the answer to that question.

Mr. Scott. That's exactly right. In fact, I said-

Senator SARBANES. And that's the question you want answered, is that correct?

Mr. Rosen. Yes, and I said that in my opening remarks, too.

Senator Sarbanes. Well, I apologize, I have had to be in and out this morning. I was here for part of the statements.

Mr. Scott. Yes. I said if it happened, we need to make sure it never happens again—we, the people of the United States of America—and if it didn't happen I'll be the first one to stand up and cheer.

Senator Sarbanes. Well, I gathered that. In your open letter to the Congress back in June, which the two of you joined in signing along with others of the hostages, you say:

It is not appropriate to say there is insufficient proof until there has been an official investigation. The question of whether there is evidence of any wrongdoing must be answered by an unbiased, bipartisan congressional investigation with full subpoena power. Unless this happens, speculation and unanswered questions will erode public confidence in our electoral system.

You were joined by others in doing that, and I take it that this letter reflected the concerns that at least some of the hostages have had over a number of years, and I gather increasing in recent times as more of these reports and statements from various people have come out, is that correct?

Mr. Scott. Yes, sir.

Senator SARBANES. How did this letter come about, I guess, and

what prompted it at that particular time?

Mr. Scott. I'm not sure I know how the letter came about. I was called and asked if I would be interested in signing the letter, and I said I'd have to see the letter before I would make a comment on it. It was with a man that I had talked to in the past and we had many discussions of the October Surprise allegations.

And when I did read the letter, or when I had it read to me over the phone, there were some changes made in it and I felt that's exactly—what is in that letter is exactly the way I felt about it on June 13, when the letter was submitted to the Congress and in spite of the Newsweek article and the New Republic article and all of the name calling that's taken place since then, I stand on that letter.

That's what needs to be done, because we're not getting anywhere with the charge and countercharge. People will get up and lie, as we all know, but will they lie when they're under oath before a congressional committee, and I don't ask that rhetorically at all, but I think that's the only way the thing can be resolved.

We've heard the accusation that these stories keep changing and growing with the time. We're talking about things that happened 11 years ago, 12 years ago. Naturally it's not going to come out the

same every time.

I'm frustrated. I want to see the thing put to bed one way or the other so we can get on with the important things that the United States has to face in the future, and frankly I get tired trying to weasel word answers to questions on whether or not it happened. My standard answer is, I don't know. I was tied up that year.

But I'm interested in Iran, I'm interested in the United States, I'm an American citizen, and that's why I am here. It has nothing to do with the fact that I was a hostage in Iran. Whether I stayed there 340 days or 444 days, unlike Mr. Rosen, is of no consequence to me. I served at the pleasure of the President of the United States as an Army officer at the time, and at that time my commander in chief was Jimmy Carter, so I have no position on that at all.

I do find it appalling, though, that as a private citizen, if this thing took place, the question is, how far will people go to ensure that their candidate is elected to the highest and most powerful position on the face of this Earth today, and that is really the question, and that's what bothers me.

I want to believe that within our constitutional framework and our electoral process, that's the way people reach that highest .)-

office in the land, and I'm not saying in this case—because I have no information. In fact, you might as well know this. I voted for President Reagan in 1984. I voted for President Bush in 1988, so I

have no political or personal ax to grind on this thing.

I'm here not because I was a hostage, but as a private citizen, because of my interest in how our Government operates, and I've taken a lot of heat in my overseas tours because of some people's ideas that we aren't what we say we are, and some of those things while I was a hostage for which I was punished were, in my view right to this day, errors that were made by the United States and its policy vis-a-vis Iran and some other countries concerning human rights things and that sort of thing.

I want to be able to go overseas 10 years from now, when Iran opens up again, and I still have many friends over there, and be able to say definitively what happened in 1980, and I'd love to be able to go over there and say, there's nothing to those rumors. The thing was finally put to bed by the U.S. Senate, the people got a fair and equitable and impartial hearing, and that this is the way

it turned out—don't believe the rumors.

But right now I can't say that, and I may not be able to, even then. But the best shot we've got at being able to say that is if this investigation takes place, otherwise somebody's going to write a book to counter Gary Sick's book next year and then some followon to Gary Sick will write one the year after that, and 20 years

from now we'll still be wondering what happened.

Senator Sarbanes. Well, I think that is a very powerful statement. I have to, Mr. Chairman, make the observation that no comprehensive official investigation has been made into this matter, or there is no—there is no congressional committee or independent commission or independent counsel or anything of that sort, that has undertaken to examine these allegations thoroughly and to try to reach a conclusion about them, and that is of course what this effort is intended to accomplish.

Now, there is a lot that has been written about it in the press and in the media, some asserting that things did happen, others countering those assertions and saying no, they did not happen, and there is a great deal of that back and forth, but there has been no undertaking by anybody with official authority, which is after

all important.

I mean, all three of you were sworn under oath by the chairman at the beginning of this hearing, so you are here now testifying on risk of perjury. I mean, you are under oath to tell the truth. There has been no one operating with subpoena powers, with the ability

to get at documents and examine a paper trail.

I have to say, I am concerned that an inquiry that seems to me warranted, and that could be carried out, I think, fairly and objectively and certainly Senators Sanford and Jeffords have made extraordinary efforts in my view to try to place this inquiry on that path of being an open, fair, and objective inquiry to try to get the answers to these questions that you have raised and to try to get them without any predetermined notion of what the answer will be

We do not know what the answer will be. I mean, I certainly do not know what the answer will be. I think the questions that have

been raised are obviously serious questions. The testimony by these former hostages here this morning, I think, Mr. Chairman, is very powerful testimony, and I assume in a sense they speak for the others, at least some of the others who have signed this letter.

I assume we have not heard from Mr. Sick yet, because I had to leave the hearing for a bit, and we will hear from him, I guess, subsequently. I assume, now, probably tomorrow, if that is the case.

Senator Sanford. Well, we might invite Mr. Sick when we finish here—finish these two witnesses—to at least make his opening statement.

Senator Sarbanes. Well then, I will forego any further questions to the hostages. I do not know that I have any. None of them have any answers. They are seeking answers. Is that right, Mr. Rosen?

Mr. Rosen. Yes. Yes, I am.

Senator Sarbanes. Do you agree with Mr. Scott?

Mr. ROSEN. As opposed to Charles—I mean, I'm not only here as a private citizen, and undoubtedly uppermost in my mind is a constitutional question, but also a very strong personal issue in my life. too.

None of us can understand what one goes through in a situation such as a terrorist incident, or a long ordeal of a hostage situation, and if, indeed, I was kept in captivity longer than I should have been for the personal, political gain of individuals, to me that smacks of treason but also certain tremendous immoral, unethical behavior, a lack of compassion for our fellow citizens, that must be investigated and understood.

Senator SARBANES. And if it didn't happen, that ought to be

known as well.

Mr. Rosen. Exactly. More than anything else, I think a bipartisan committee is so important because if, indeed, it did not happen we can move on.

We don't need this haunting us for another decade. There are too many important things that you gentlemen know that needs to be done in this country right now. And we don't need something of this nature haunting the political process for another election in 1992 or further on.

And I think that's the important nature of why I believe that we need a bipartisan committee with subpoena power. Move on it. I don't think anyone should be afraid to move on something of this nature.

Senator SARBANES. Well, Mr. Chairman, I will forego any further.

Senator Sanford. Go ahead. Do you have any other questions of the hostages?

Senator McConnell. No, not for the hostages. By their own admission, they have no information, really, to offer on the subject.

I did want to make just one brief observation about Senator Wofford's bringing up Bob Perry's Frontline piece. Before you came to the Senate, Senator Wofford, Senator Kerry and I in 1988 were involved in hearings on another matter that related to this general subject and Bob Perry was the one who brought up Breneky. Looking, for example, right now at a Newsweek article of May 23, 1988, and written by Bob Perry in which Breneky is mentioned 11 times.

So Bob Perry was the person who sort of produced Breneky. Perry accepted that Breneky was a major arms dealer with ties to the Soviet Union. Perry accepted Breneky's story, he flew shipments of arms to Central America. Perry accepted Breneky's story that he was the Mosad recruit working for the Israelis in Central America.

Even Breneky's hired biographer ditched him because his credit card receipts and diary notations showed he never left Oregon during the period he claimed involvement in international skulduggery. And the subcommittee chaired by Senator Kerry did not believe Breneky. And I do not know why Bob Perry does. But I just wanted to give you that sort of historical perspective about Mr. Perry.

Senator Sarbanes. Mr. Chairman, if could—sorry, go ahead.

Senator Sanford. I was just going to say in our effort to keep this thing on a balanced basis, I do think that Senator McConnell stated accurately what he stated.

But I would like to add from Mr. Perry's letter:

That although we are accused of basing our program on disreputable characters, our interviews included: President Reagan's ex-National Security Adviser, Richard Allen; former Secretary of State, Alexander Haig; former Assistant Secretary of State, Nicholas Veliotis; William Casey's widow, Sophia; Reagan's domestic adviser, Martin Anderson; conservative Republican staffer, Angelo Codevela; ex-CIA officer, Miles Copeland; long-time Casey friend, Albert Joyce; Casey campaign assistant, Robert Garrick; former CIA counsel, Richard Regovin; former CIA Director, Stansfield Turner; President Carter's ex-press secretary, Jody Powell.

The list should suggest that we were reviewing what was known about the allegations from a wide variety of people who were in a position to shed light on the 1980 election story.

Senator Sarbanes. Mr. Chairman? Senator Sanford. Senator Sarbanes.

Senator Wofford. Could I just briefly respond to Senator McConnell that the point I was making was not to believe one or another of the journalists, but that the journalists themselves have brought us to a point of, a balance in which no one can prove or disprove.

And the Nightline conclusion by a journalist, Jeff Greenfield, was the point I was trying to make. He, in the program I was referring to, said it is just possible that the subpoena power of Congress may be able to put to rest a story that literally years of investigation has still not resolved once and for all by journalists.

Senator Sanford. Senator Sarbanes.

Senator Sarbanes. Mr. Scott and Mr. Rosen, from some of the comment that has been made here, I take it the suggestion is, well, you were all hostages so you are in no position to actually add a factual perspective. I think, as you said, when they asked you, said I was tied up or something for that period of time.

But obviously since you have been released and come back you have, I assume, followed the matter. And you, I assume, read all of

these allegations back and forth.

Mr. Scott. Not all of them, but most of them. A lot of them.

Senator Sarbanes. The New Republic and the Newsweek sort of put down the whole idea. Others assert it. Nightline carries programs and so forth and so on.

Now, I must say, Mr. Scott, you sort of disavowed the notion that you were sort of an eccentric. I think, I am not sure exactly what the words were. You get that accusation.

Mr. Scott. I'm not a flake.

Senator SARBANES. Yes. And you certainly do not impress me that way.

Senator McConnell. No one called you one.

Senator Sarbanes. And neither does Mr. Rosen. And I take it your view as having read this material and seen this material and thought about it, at least in your own minds, there is sufficient credible questions about this matter that you want a proper inquiry with respect to.

quiry with respect to.

Mr. Scott. Yes. There's allegations that can't be dismissed by name calling or discrediting the writers, discrediting the messen-

gers.

Mr. Rosen. I feel the same way. And it just seems to me that we're just running around in circles. And unless we can somehow start at a point of departure and have a bipartisan committee investigating everything, we will never be able to resolve this issue.

We may never be able to really resolve it, but we have to start

somewhere.

Senator McConnell. If I may, the credibility of Mr. Rosen and Mr. Scott is not an issue here.

I mean, that is not an issue at all. I admire you both. I am sorry you had to endure what you did.

But they, by their own admission, I would say, have indicated

they have no firsthand knowledge of the issue before us.

Senator Sarbanes. I understand, but by their own statement now they have said that they, in effect, followed closely all the matters that are in the public record or most of the matters that are in the public record that have been asserted. Neither of them would begin to be comfortable with a position that simply said: "Well, it is a lot of phony allegations, there is just nothing to them, forget it, do not bother to look."

They are both coming here today and saying to us, that we want an inquiry into this thing. They say they do not know what the answer will be. I do not know what the answer will be. In fact, I very much hope that the answer is that none of this happened. Because if, in fact, it did, it raises enormously serious questions about the functioning of our political system. And no one wants to see

that

But I do think that this appeal that they have made in their open letter and reaffirmed here this morning for an appropriate inquiry into this matter, an inquiry which has to this date not yet taken place in any form, is an appeal that has reason and necessity to it.

In other words, they are not simply appearing out of the air. I take it you are appearing and you sent the letter because you had followed these rumors, reports, and allegations which you say here in the letter:

Until recently these allegations have been dismissed as unsubstantiated. But substantial enough information has been presented by respected and persistent investigators to warrant a thorough examination of this matter. It is not appropriate to say there is insufficient proof until there has been an official investigation.

The question of whether there is evidence of any wrongdoing must be answered by an unbiased, bipartisan congressional investigation with full subpoena power. Unless this happens, speculation and unanswered questions will erode public confidence in our electoral system.

Now that was written on June 13. Since June 13 other material has come to the floor. You have had Mr. Sick's book. You have had these articles that I referred to in these magazines, in effect, saying it did not occur. If fact, it is even called a myth in one of them.

Let me put this question to you, Mr. Scott and Mr. Rosen, this letter was on June 13 of this year, 1991. Since June 13 there has been further discussion of this issue in the press and on the television and in the radio. Does that further discussion dissuade you from this letter or does it strengthen you in the comments that were made in this letter about the desirability of an inquiry?

I have been making reference to your letter here. I did it at the very outset. Now perhaps the case is that all the material that has come out since you wrote the letter on June 13, I should really have put this question to you, that that may have lead you to now think that an inquiry is not as needed or as desirable as you indicated in your letter. It may also, on the other hand, have led you to conclude that an inquiry is even more needed than when you sent the letter.

And I would be interested in your response to that question.

Mr. Scott. I'm convinced. And the reason I'm here today is that there is more of a need now for an investigation than there was when we wrote this letter. The letter has become a prophecy because these articles, back and forth, I don't really know any more today about whether or not there was an October Surprise than I knew in June when that letter was put together and I was willing to sign it.

It proves many of the things we said in the letter were right. The continued rumoring back and forth, and charges and countercharges and name calling are only going to erode the public confidence at a time when we certainly don't need that in the United States.

So we ought to really be getting on with it so we can put it to bed. I think people are concerned. It may be that the first few witnesses that are called who are, quote, "super sources" or whatever will refuse to testify under oath and you may never get to have any hearings. Fine. But it has to start somewhere. And as long as people aren't under oath and the press is free to write back and forth, intellectual argument this way, intellectual counterargument that way, this thing's never going to be resolved.

Mr. Rosen. I personally feel that we need a hearing now more than ever before. I think it is heated up to a certain degree that this will never be put to bed unless we really do have an investigation.

I think the allegations are as strong as they were before. The Frontline piece is still as strong as it was before. And the attempt to debunk both Gary Sick and the Frontline piece still, in my opinion, does not hold enough water for us to say, let's close the door and forget about it and let's move on. I think it makes it even more imperative that we move on with an investigation.

Senator Sarbanes. Thank you, Mr. Chairman.

Senator Sanford. Well, let me say that Senator Jeffords and I did not think that it was inconsequential that you had taken such a position and we did not think it was irrelevant to call you here as witnesses to remind the committee and the press that the purpose of this hearing, which will be now continued until tomorrow, was not to determine the truth or falsity of the charges. Our purpose was to determine whether or not we should proceed.

And I think the witness of former hostages is very relevant to that question. I thank you very much for coming, Mr. Scott and Mr. Rosen. We will have perhaps Mr. Kennedy tomorrow. We invited Mr. Steve Emerson to come and he declined. We will have to

now recess. but we will begin tomorrow at 9 a.m.

Senator JEFFORDS. Mr. Chairman, before we do, I ask unanimous consent that the statement of Senator Murkowski be entered into the record.

Senator Sanford. Certainly.

[The prepared statement of Senator Murkowski follows:]

#### PREPARED STATEMENT OF SENATOR MURKOWSKI

What we have before us today is the granddaddy of all conspiracy theories—the

so-called October Surprise.

This theory has a life of its own. It was born amid the followers of Lyndon LaRouche, and nurtured by the enterprising investigative journalists at ABC's "Nightline" and PBS "Frontline." Now that the key sources of the theory have been thoroughly debunked, one would think we could allow the theory to die a long-overdue death. But for some reason, Mr. Chairman, we undertake a Senate investigation, at a cost approaching \$600,000 in order to keep it alive awhile longer.

I have watched some of this story unfold from my vantage point as Vice Chairman of the Senate Select Committee on Intelligence. When some of these allegations arose during the confirmation hearings of Robert Gates, we explored the credibility of some key sources such as Ari Ben Menashe (Ary Ben Men-AAH-she) and Richard

Babiyan (Ba-BEE-yan). In doing so, we found that we could quickly dismiss them. I was bothered, Mr. Chairman, when we heard no retractions when ABC News finally got around to polygraphing Mr. Menashe and discovered that he wasn't telling the truth. Instead, they simply turned to other sources such as Jamshid Hashemi (Jahm-SHEED Ha-SHEE-me). If it's possible to find a witness less credible than Ari Ben Menashe, I think ABC News may have found one in Mr. Hashemi.

Until I saw the recent pieces in Newsweek and the New Republic, I was quite concerned that American investigative journalism was headed straight for the supermarket tabloid rack. Thankfully, some investigative journalists working for the New Republic and Newsweek directed their considerable talents toward seeking the truth, and in the process, may have helped to save the medium itself.

Here's what the New Republic said in its November 18 article entitled "The Con-

spiracy that Wasn't."

" \* \* the truth is, the conspiracy as currently postulated is a total fabrication. None of the evidence cited to support the October Surprise stands up to any scrutiny. The key sources on whose word the story rests are documented frauds and impostors. Representing themselves as intelligence operatives, they have concocted allegations that are demonstrably false \* \* \*."

Newsweek, in its November 11 edition, said:

"Newsweek has found, after a long investigation including interviews with government officials and other knowledgeable sources around the world, that the key claims of the purported eyewitnesses and accusers simply do not hold up. What the evidence does show is the murky history of a conspiracy theory run wild."

Mr. Chairman, investigative journalism is an American institution—one that we frankly depend on in a democracy. In the New Republic and Newsweek stories, I believe we witnessed a "mid-course correction" in investigative journalism. The journalists at those magazines, along with their editors, looked at the activities of their colleagues at "Nightline" and "Frontline" and said, "That's enough \* \* \*. This may be interesting and entertaining to some, but it isn't journalism of the sort

. . . .

that we want to practice." So I commend them for working to set the record

straight.

As for us, Mr. Chairman, I don't believe this is destined to be our finest hour. I heard it reported that the *New Republic* spent about \$3,000 to disprove the October Surprise theory. In true government fashion, I predict that we will spend \$600,000 to do the same thing.

Thank you, Mr. Chairman.

Senator Sanford. We will stand in recess until 9 a.m. tomorrow. [Whereupon, at 10:02 a.m., the committee adjourned, to reconvene at 9:07 a.m., November 22, 1991.]

# WHETHER THE SENATE SHOULD PROCEED TO INVESTIGATE CIRCUMSTANCES SURROUNDING THE RELEASE OF THE AMERICAN HOSTAGES IN 1980

## FRIDAY, NOVEMBER 22, 1991

U.S. SENATE,
SUBCOMITTEE ON NEAR EASTERN AND
SOUTH ASIAN AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington. DC.

The subcommittee met at 9:07 a.m. in room SD-419, Dirksen Senate Office Building, Hon. Terry Sanford (chairman of the subcommittee) presiding.

Present: Senators Sanford, Sarbanes, Robb, Wofford, Kerry, Pell,

Jeffords, Pressler, Kassebaum, and McConnell.

Senator Sanford. This is a continuation of the meeting of the Subcommittee on Near Eastern and South Asian Affairs, to take testimony on whether the Senate should proceed to investigate the circumstances surrounding the release of the American hostages in 1980.

There is one matter I would like to clarify for the record. One argument against authorizing this inquiry is that allegations of an October Surprise have already been thoroughly been investigated by other duly recognized bodies, specifically the Iran-Contra Committee, the Tower Commission, and the special prosecutor. Well, neither Senator Jeffords nor I have any desire to undertake an investigation that is unnecessary and has already been done.

Therefore, after yesterday morning's hearing, I looked into the matter further. The facts are as follows: The Tower Commission, formed by President Reagan in 1986, did not look at the 1980 allegations, only the transfer of arms to Iran in the 1985-86 period and the diversion of funds from those sales to the Contras. Similarly, the Iran-Contra Committee did not investigate the allegations concerning the 1980 hostages. It took no testimony or depositions in this matter. The October Surprise was referred to briefly in a footnote, a footnote that was not passed on or voted on by the committee. It is that footnote that has been widely quoted in these hearings and included in the minority view section of the committee's report.

Finally, the independent counsel, like the Iran-Contra Committee, is limited to the period of time covered by the Boland amendment, 1983 through 1986, and the hearings of the Iran-Contra Com-

mittee. Therefore, these allegations of an October Surprise have, indeed, never been investigated by an official body. No witnesses have been placed under oath, no subpoenas have been issued requiring the production of documents or appearances of witnesses in this matter.

It has been further suggested that the GAO had conducted an investigation. The GAO looked at a very limited part of the charges and did not take any testimony under oath, and I have a statement from the GAO that I will put in the record to that effect.

The information referred to follows:

PREPARED STATEMENT OF JAMES F. HINCHMAN, GENERAL COUNSEL, GAO

Mr. Chairman and Members of the Committee: We are pleased to be here to discuss our preliminary inquiry undertaken last year into the facts surrounding allegations made by Richard Brenneke for which he was tried in his May 1990 trial on charges of making a false declaration before a federal court. Mr. Brenneke alleged that he and high-ranking officials of the Reagan-Bush campaign staff had met with Iranian officials in Paris, France, in October 1980, to negotiate delaying the release of the Iranian-held American hostages until after the November election. This preliminary inquiry was requested on July 5, 1990, by the Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations.

In summary, during our preliminary inquiry we were unable to develop evidence to corroborate Mr. Brenneke's allegations.

#### THE REQUEST

After several meetings with the Subcommittee staff and a staff representative of the House Committee on Foreign Affairs, we and the staff agreed that the sensitivity of the subject demanded that we periodically keep the Subcommittee staff apprised of developments and that we limit the scope of the inquiry to specific issues identified by the staff. The Subcommittee staff also asked that the Subcommittee not be identified as having requested the inquiry. At the time of the request, GAO's long-standing written policy, which had evolved over time in response to congressional needs, allowed requesters of GAO reviews and investigations to request anonymity during the course of the investigation itself. This policy has since been changed. It is now GAO's policy to identify the requester of any review or investigation when asked for that information.

#### THE INQUIRY

As the Subcommittee staff requested, the initial focus of our inquiry was the statements made and evidence introduced at the Brenneke trial. We first reviewed the trial transcript and extensive evidence obtained by the defense attorneys through discovery, including the results of numerous Federal Bureau of Investigation interviews related to the subject. We also interviewed Brenneke, his two attorneys, and the prosecuting attorney. Brenneke and his lawyers reiterated Brenneke's statements that he had participated in and arranged a meeting in France in October 1980 attended by William Casey, then the Republican presidential campaign manager; Donald Gregg, then national security council staff; representatives of the Iranian government; and individuals working for the French, British, and Israeli governments. However, they provided no documentary evidence in support of these statements. Information furnished by Brenneke and his attorneys in support of his allegations was extraneous or unsupported, or would have required extensive investigative activity beyond the scope of our inquiry. The prosecuting attorney declined to provide any comment outside the official record of the government's case and findings relative to the investigation it undertook to prepare for trial.

Brenneke was charged with making a false declaration at the sentencing of an associate, Heinrich Rupp, who had been tried for bank fraud. One of the statements attributed to Brenneke was that he saw then candidate George Bush in Paris in October 1980. Brenneke's attorneys referred us to a transcript of Brenneke's trial testimony and a letter he had sent to the trial's presiding judge in which he stated both that his information was provided by Heinrich Rupp and that his prior statements at Rupp's trial needed clarification. In Brenneke's clarified testimony and in our interview of Brenneke, he claimed no first-hand knowledge of Bush's presence in

Paris in October 1980. He stated that his information came from Rupp, who allegedly piloted one of the planes carrying officials to the meeting.

...

Through his attorneys, Rupp declined several requests for an interview. In lieu of an interview, his attorneys provided a videotaped interview of Rupp by a television reporter in which Rupp reiterated his statement that he had seen someone who he was fairly confident was Bush in Paris in October 1980. The attorneys provided copies of airline identification cards and an envelope from a Paris hotel, none of which were supportive of the allegations.

To further clarify the facts surrounding Rupp's alleged flight to Paris, we contacted the Federal Aviation Administration and charter aircraft companies allegedly involved and obtained flight logs for one of the planes allegedly involved. We also checked what we had been told was Rupp's description of the weather on the day of the flight against meteorological records at two alleged refueling locations. We found no evidence to support the allegations about the flight to Paris. Additionally, an interview of another charter airline pilot alleged to have participated in or arranged the flight failed to yield any corroboration. Contact with an official of a second charter aircraft company allegedly involved also yielded no witnesses with

information of assistance to us.

We were asked to review relevant Secret Service documentation and conduct interviews as to George Bush's whereabouts on the dates in question. A review of relevant press articles and Secret Service records placed then candidate Bush in the United States the weekend of October 17-19, 1980, the weekend he was alleged to be in Paris. During interviews of supervisory Secret Service agents assigned to candidate Bush, one agent recalled accompanying Bush to the Chevy Chase Country Club for a luncheon engagement with Supreme Court Justice Potter Stewart on October 19, 1980. Although a review of Justice Stewart's appointment calendars retrieved from the Yale University library revealed no entries for appointments on October 19, 1980, Secret Service logs reflect a motorcade to the country club on this date. Interviews of personnel at the country club yielded no documentation of this event, as records for such activities are not maintained.

As requested by the Subcommittee staff, we periodically supplemented these inquiries with interviews of other individuals identified as having pertinent information, specifically Casey's former secretary and a number of journalists. These inter-

views did not corroborate the allegations.

Supplementary inquiries to the Customs Service in an attempt to identify records of reentry into the country by the parties allegedly involved were unsuccessful be-

cause such records were no longer maintained.

We regularly briefed the Subcommittee staff throughout the course of this inquiry. During February 1991 discussions with the staff, we agreed to terminate our inquiry and, given the limited nature of the inquiry, to issue no written report. Since terminating the inquiry, we have briefed the majority and minority staff of several House Committees, as well as that of the Speaker of the House and the House Majority and Minority Leaders.

Mr. Chairman, this concludes our statement. At this time, we would be pleased to

answer any questions you may have.

Senator Sanford. Now, we are going to have to move on this morning, concentrating on what the witness has to say, probably interrupted once or twice by the necessity of going to the floor for a vote. We will attempt to move with as much dispatch as possible, because we need to conclude this in about less than 2 hours. This morning we are going to hear from Gary Sick. He is an adjunct professor at Columbia University, who put forward these very serious allegations in a widely read Op-Ed piece in the New York Times last April, and who has recently written a book on the subject.

Mr. Sick served on the National Security Council under Presidents Ford, Carter, and Reagan, and is well-known as an expert on the Middle East. He is a retired captain in the U.S. Navy, and has previously written a book about the fall of the Shah of Iran. He was involved in the efforts of the Carter administration to seek release of the hostages from the time of the storming of our Embassy in Teheran in November 1979, until their release in January 1981.

Mr. Sick, as you are aware, this investigation is of most serious allegations. If the allegations are true, our electoral process and our Constitution have been undermined and damaged. If they are not true, a cloud of doubt unjustifiably hangs over the reputations of individuals. For that matter, we will look forward to your testimony, your findings, and I suggest that you are already under oath for this purpose, sir.

All right. I would like now to call on my colleague, Senator Jef-

fords, for any opening remarks he may wish to make.

Senator JEFFORDS. Mr. Chairman, in the exigencies of time, I will waive any opening statement. I think you have covered the essential matters, and I know our time is short today, so I would rather wait for the questions.

Senator Sanford. Senator Wofford.

Senator Wofford. Nothing now, thank you.

Senator Sanford. Senator McConnell.

Senator McConnell. I will be brief, Mr. Chairman. Yesterday we spent 2 hours listening to the testimony of two former hostages. While Charles Scott and Barry Rosen certainly presented an emotional appeal to this subcommittee, they did not offer any, factual evidence to support yet another investigation into this alleged conspiracy. For those who may not have been in their presence yesterday, seconds into his testimony, Charles Scott revealed, quote: I have no firsthand knowledge from the point of view of whether or not there was an October Surprise, unquote.

He later commented on Gary Sick's book, that, quote, there is an awful lot of information there that has not been resolved, unquote. When questioned by the chairman, Mr. Rosen revealed his suspicions arose from, quote, reading pieces of work that had been done by specialists in the field, whether Christopher Hitchens or Gary Sick, and others, unquote. It appears that after yesterday's hearing, the only fact is there are no facts. As patriots or professionals, Mr. Scott and Mr. Rosen certainly seem sensible, credible Americans who suffered a tragic ordeal. But their personal suffering cannot and should not be the basis for a \$600,000 congressional adventure. The Senate should not finance a fantasy. Facts, hard facts should guide our determination and, frankly, Mr. Chairman, so far there are none. Thank you.

Senator Sanford. Well, that is certainly good news, that we will probably end up not finding any facts if we go forward with it. Of course, these witnesses, for the record, were not called with any thought on the part of the ranking member, nor the chairman, that they had any facts. They were called, though, in the same sense that families of missing in action people have been called in this committee room, to state a real concern of Americans most in-

timately involved with the charges that have been made.

I think they discharged that responsibility, and it would be unfair to them to suggest that they thought they were coming here with facts. Of course, they did not think they were coming here with facts. They were coming here to express a concern. It is that concern that leads us to look for facts, if there are any facts, and I reiterate that Senator Jeffords and I do not come to this task assigned to us, which we did not volunteer for, with any prosecutorial intentions.

We come here to do, in a nonpartisan way, what these two witnesses yesterday, and a great many other Americans think should be done. Perhaps a task that no one really wants to do, but nonetheless, we feel must be done if these facts are to be determined to exist or not to exist, and if this matter is to be laid to rest. That is the tone of this and the purpose of this, and we are certainly not out to get anybody, embarrass anybody, or prosecute anybody. We ought to do a professional job and if the Senate decides that we should do it, then we will proceed.

Under the Senate procedures, the press might note, we may not proceed, because a simple majority does not necessarily control the flow of activity in the Senate. Any one Senator can object to the proceeding, requiring then a vote of 60 Senators. So by design, the minority in the Senate, under its rules and traditions of 200 years, rules and traditions with which I heartily agree, but under those rules and traditions, a minority can stop legislation, and a minority can suppress the continuation of this investigation. Nevertheless, that is not the worry of Senator Jeffords and I at this time. We are charged with the responsibility of determining facts that will be available to the Members of the Senate. That is our purpose in being here.

I would like to move with as much dispatch as possible. I am sure that Mr. Sick has thought a great deal about this subject and I would like to ask him to proceed with giving us, first of all, the atmosphere in the White House after the taking of the hostages, the background of the efforts to secure their release, the rescue efforts, and then to bring us to the point of the summer of 1980, if you will.

# TESTIMONY OF GARY G. SICK, FORMER STAFF MEMBER, NATIONAL SECURITY COUNCIL. NEW YORK

Mr. Sick. Thank you, Mr. Chairman. Because I had 1 extra day, I did have an opportunity to prepare a written statement, which I believe has been reproduced and circulated, I hope to all of the members of the staff, and also to the Senators on the committee.

Senator Sanford. Suppose you just give us the highlights of that. Mr. Sick. That is what I would like to do, because there are some important points in there that I think are entirely relevant to what we are talking about, and that might assist us in dealing with the issue. Let me stress, at the beginning, that my decision to write about these issues, which I fully understand, Mr. Chairman, are quite contentious and divisive, was taken slowly and reluctantly.

I had, of course, heard allegations that there was a secret deal between the Reagan/Bush campaign and Iran almost from the moment when the hostages were released only a few moments after President Reagan's inaugural. I was in the White House that morning. I was involved in the long wait as the Iranians stood around with their watches in hand, waiting for the appropriate moment to finally let the hostages go, a fact which aroused a certain amount of comment at the time.

However, I heard those stories, but I simply did not believe them. I did not believe that a party out of power would, in fact, intervene with a hostile foreign power to undercut the negotiating efforts of

their own Government, and affect the lives and welfare of 52 Americans.

I wrote a book about the hostage crisis. In that book, published 4 years later, I made no mention of these allegations. In 1988 I again heard these allegations, it was a hot issue in the campaign in 1988. People came to me—journalists and the Democratic National Committee—and asked me to endorse those charges. I said I had heard and acknowledged the evidence that was being produced, but I was unprepared to acknowledge them, or to write on the subject at all.

After the 1988 election I proposed to the Twentieth Century Fund that I write a book about the Reagan administration's involvement with Iran. In that proposal, which was eventually approved, I made no mention whatsoever of the 1980 secret deal, or any October Surprise. I had heard about it at that time, but I still

regarded it as something that was completely unproven.

Then I started working on this project, and I found that if I was going to write about the Reagan administration's involvement with Iran, I had to start at the beginning. In the course of putting together my notes, and historical notes, I began to discover anomalies in the record that I found difficult to explain. I was going back over territory that I had reviewed before, for another book, a territory that I thought I knew very well. And I was beginning to find

things that I had difficulty explaining, which intrigued me.

Nevertheless, I continued on with the research on the book that I planned, and it really was not until mid-1990 that I felt that enough evidence had accumulated, enough doubt had accumulated, that I might be prepared to write about this. At that point I went to the Twentieth Century Fund and told them that I was thinking about writing a different book from the one I promised, and they certainly owed me nothing to do that book. It was going to be very controversial. A lot of people were going to be unhappy. It would be seen as a political act, and they were more than entitled to withdraw the grant or at least to postpone it, and I would write the book for them later. They thought about that, and in an act of great generosity and courage, said that they would go ahead with the research grant that I had.

In the past several weeks, two magazine articles have appeared that were sharply critical of the allegations that the Reagan/Bush campaign of 1980 met secretly with Iran to effect the timing and release of the American hostages. Those articles have been referred to here in some detail. These two articles, which were quite similar in tone, form, and substance, were published simultaneously on No-

vember 4.

I was contacted by reporters for both articles shortly in advance of publication. In both cases I informed them that many of the points they intended to raise in their articles would be covered in great detail in my book. Many of the questions that they were posing would be answered in the book. I tried to answer them as best I could in brief telephone interviews. The book was scheduled to come out 1 week later, and I suggested that they wait and at least look at the book before they go into print. In both cases the authors of these articles showed little interest in what I might have to say, and both rushed into print without waiting to see the book.

As a result there has, in my view, been a great deal of misunder-standing and misinformation, that could easily have been avoided. Because of the proximity of the dates many observers, perhaps understandably, assumed that these articles were a critique of my research, when, in fact, they deliberately chose to ignore it. What they did was to set up a series of straw men, crude caricatures of both the evidence and those who have taken the evidence seriously, and then proceed to knock them down. I do not recognize myself in these gross generalizations, although I'm clearly intended to be included as one of their generic conspiracy theorists. I also do not recognize the sources they describe, although I have, in many cases spent many hours with these men. While the authors of these articles have, for the most part, contented themselves with a search for press clips.

Most of all, I do not find in these articles any reflection of the care and attention that has been devoted to authenticating the evidence that I, and others, have presented. In their selective use of evidence, their unwillingness to consider alternative explanations, their quickness to demean anyone who has done serious research work on this subject, and their cavalier and wholesale dismissal of the testimony of numerous sources, they did nothing to further the cause of truth. They did, however, whether intentionally or inadvertently, poison the atmosphere in such a way that a reasonable discussion of these issues has become infinitely more difficult.

The book that has just been published by Random House, last week, in my view contains a great deal of new information. Not of the smoking gun variety, but rather the crucial details link the major events together in a whole, a whole that is greater than the sum of the parts. The array of evidence presented in the book is the same evidence that persuaded me to change from disbelief to a growing conviction that a secret deal took place in 1980. That evidence may not persuade everyone, and I wouldn't expect it to, but it does at least provide a baseline for reasoned discussion, and I offer it on that basis.

Let me briefly, Mr. Chairman, since I know this is one of the areas that you're particularly interested in, turn to avenues based on my research, the interviews that I've conducted and the historical reconstruction that I've done, to identify a few areas that I think might be fruitful avenues of approach for an investigating committee, if that is in fact what is decided to do.

First, and most obvious is the question, where was William Casey during this period? Over the past summer President Reagan directed the archivists of his new library to search the 1980 campaign records to see if there was any evidence that William Casey was involved with Iran during the campaign. According to their report, they not only found no evidence of whether he was involved in Iran, but any evidence practically that he was there at all. There are virtually no records whatsoever of his whereabouts of any kind. He simply seemed to be absent from the campaign that he directed.

His secretary has been similarly uninformed. When reporters contacted her about Mr. Casey's movements during the period of alleged meetings in Madrid, she had no information about his movements. Later research, as we all know, discovered that he had attended an international conference in London during part of that

time. Can it be that Mr. Casey went off to a long-scheduled conference without telling his secretary, or leaving some instructions about how he could be reached?

This was, after all, only the second week after the Republican National Convention, and he was the national campaign manager. Mr. Casey was a very busy man. It seems impossible that he would keep no date books, phone logs, calendars, or appointment books. That he accumulated no bills or receipts or even memos, that would locate him on key dates, or for that matter practically any time at all in the course of the campaign. Is there no one who saw him, or spoke to him on those dates? We have here the case of the phantom campaign manager.

I think a duly empowered investigative team could resolve this mystery. It may find that he was merely attended to campaign business on those dates. If so, then perhaps these questions can be

laid to rest. But all attempts to do so thus far have failed.

Second, we know from court documents that the New York office of Cyrus Hashemi was under intensive surveillance by the FBI and Customs from at least October 14, 1980, until the surveillance was abruptly terminated shortly after the Reagan administration took office. Cyrus Hashemi was the man alleged to have maintained contacts with William Casey throughout that period. Cyrus Hashemi, according to his brother, was acting as a double agent, cooperating with the Carter administration and with Mr. Casey at the same time on the hostage issue. His telephone calls, conversations, and movements during this crucial period should provide a wealth of information that would either confirm or deny his brother's accounts.

Those records are presently sealed and unavailable to private investigators, as are his files in other Government agencies that had contact with him. They should be available to an investigative committee of the Congress, and it seems to me they would be entirely relevant to answering the basic questions that have been raised.

Third, there's a considerable body of evidence that military equipment began to flow in substantial quantities from Israel to Iran almost immediately after the Reagan inauguration, and that these shipments were known to, and approved by, the new administration. There are also repeated charges that some of that equipment came from U.S. stockpiles in Europe, and possibly in the United States. That can be checked. A proper investigation should be able to determine whether or not these shipments occurred. And if they did, who authorized them.

Finally, a congressional committee should be able to take depositions from many of the sources who have provided information on this subject, as well as those who have steadfastly refused to talk to me, or to others who have attempted to investigate this story. If we have a question about sources, let's put them under oath and take a deposition from them, and find out what they have to say and

who's telling the truth and who isn't.

In short, Mr. Chairman, it is my view that the evidence developed to date is sufficient to justify an investigation, and there is reason to believe that such an investigation might be able to resolve the issue. The charges that have been raised are not about refighting an election that is long past. They are about the proper

functioning of a democratic system. If this did not happen, we owe it to Mr. Casey and others to clear any suspicion from their names. If it did happen, it was a perversion of the democratic process, and those responsible should be held accountable for their actions, if only to ensure that it never happens again. Thank you, Mr. Chair-

The prepared statement of Mr. Sick follows:

#### PREPARED STATEMENT OF GARY G. SICK

Mr. Chairman, I am pleased to be invited to testify before the committee on the question of possible unauthorized contacts by private Americans with Iran during the presidential elections of 1980. I realize that this is an extremely contentious issue, with implications that go to the heart of the U.S. political system. I hope that my testimony can be helpful to you in deciding whether or not to proceed with a full investigation of this matter.

It may be useful at the start to give you a few words of background about myself and how I became involved with this issue. I spent a full career of 24 years as an officer in Naval Intelligence, retiring in 1981 as a Captain. During the last 10 years of my naval service, I completed a Ph.D. in Political Science at Columbia University and then came to Washington where I was the desk officer for the Persian Gulf and

Indian Ocean in the Office of the Secretary of Defense.

In 1976, I was seconded to the National Security Council staff, to work on Persian Gulf and Middle East affairs in the administration of President Gerald Ford. The National Security Adviser at that time was General Brent Scowcroft. After the 1976 elections, I was asked to remain in the same position under the administration of President Carter, where I worked for Zbigniew Brzezinski. After the 1980 elections, I was retained in the same position for several months by the administration of President Reagan and his National Security Adviser Richard V. Allen. After my retirement from the Navy in April 1981, I was retained as an unpaid consultant with

the National Security Council until I went to New York in August of that year.

I was the principal White House aide for Iranian affairs during the Iranian revolution and the hostage crisis. After I left government service, I spent a year at Columbia University researching and writing a book about those events [All Fall Down: America's Tragic Encounter With Iran]. The book was published in 1985, when I was deputy director of the International Affairs Program at the Ford Foundation. I retired from the Ford Foundation at the end of 1987. Since that time, I have been an independent author and applied specializing in the religious of Iran have been an independent author and analyst, specializing in the politics of Iran and the Persian Gulf. I also teach a graduate seminar in U.S. foreign policy at Co-

lumbia University, where I am an adjunct professor.

My decision to write about the events of the 1980 election was taken slowly and reluctantly. I had, of course, heard suspicions about a secret deal between the Reagan-Bush campaign and Iran almost from the moment when the hostages were released only a few minutes after President Reagan's inaugural. I did not believe them. I simply refused to believe that a party out of power would intervene with a hostile foreign power to undercut the negotiating efforts of their own government and affect the lives and welfare of 52 American prisoners. Four years later, I wrote a book about the hostage crisis which was not flattering to the Carter administration. I made no reference to a possible secret deal. In the election of 1988, when accusations of a secret deal first received widespread attention in the national media. I acknowledged the new information that had come to light but I refused to media, I acknowledged the new information that had come to light, but I refused to endorse the allegations despite repeated queries from journalists and the Democratic campaign. After the 1988 election, I submitted a proposal to the Twentieth Century Fund to write a book about the Reagan administration's relations with Iran. The proposal made no reference to the so-called October Surprise, and as I began work on that project in early 1989 I had no intention whatsoever to deal with that sub-

As I began collecting research material for the book, however, I began to discover anomalies in the historical record. For example, I found that some Iranian officials in 1980 had referred openly to efforts by the Reagan-Bush campaign to delay the release of the hostages for political reasons. These contemporaneous statements, and the timing of certain Iranian decisions during the hostage crisis, seemed to be consistent with allegations of a secret deal that had emerged in 1987 and 1988, leading me to dig deeper. During this same time, I began to talk regularly to a small group of journalists who were continuing to pursue this story even after it had been abandoned by the mainstream media. Their investigative findings often matched the timing of the new material I was finding in the historical record. By the end of 1989, I began to conduct a few interviews with prospective sources.

It was not until mid-1990 that I felt I had accumulated enough evidence to consider writing on this subject. At that point I faced an unpleasant decision. I had never considered myself a political partisan. I had always been a registered Democrat, but I had never participated in political campaigns and I attempted to maintain a balanced, non-partisan perspective in my work. I realized that if I decided to write on an issue of such great political volatility, which cut so close to the bone of political sensitivities, I would subject myself to accusations of partisanship and, potentially, to smear tactics as part of a campaign to discredit my work. I consulted with my family, warning them of the possibly unpleasant consequences. They encouraged me to proceed.

I also realized that I might lose the grant on which I relied to carry out the research. In mid-1990 I met with the president of the Twentieth Century Fund to inform him that the book I intended to write was quite different—and far more controversial—than the proposal I had submitted 18 months earlier. I said that I could still write the book I had promised to the Fund, but it would have to be delayed until I completed my research on the 1980 elections. In the meantime, I would understand if the Fund wished to suspend the grant. After careful consideration, the Twentieth Century Fund agreed to continue its support, a decision that I regarded—

and continue to regard—as both generous and courageous.

I provide this brief background to set the record straight. My decision to write about this subject was taken because I had uncovered a body of evidence that I believed was important and deserved to be brought to public attention. I came to the subject late, and I realized that it was potentially hazardous—personally and professionally. My present position, in which I am identified as the advocate for a politically controversial point of view, is both unfamiliar and uncomfortable to me. I firmly believe, however, that the research I have done, with the invaluable assistance of many other researchers and journalists, is too important to be ignored. It is also far from complete. I fully intend to persevere in exploring the circumstances of the 1980 election, though I recognize the limitations of any private citizen in attempting to get to the bottom of such a complex and sensitive matter. For that reason, I respectfully urge the Congress to undertake a quiet, balance, thorough, and politically fair investigation of these matters.

I would like to raise two substantive points with the members of the subcommit-

tee. Both involve sources.

Within the past several weeks, two magazine articles have appeared that were sharply critical of allegations that the Reagan-Bush campaign of 1980 met secretly with Iranians to affect the timing of the release of the American hostages in Iran. These two articles, which were quite similar in form, tone and substance, were published simultaneously on November 4 (although the publication dates of the magazines are given as November 11 in one case and November 18 in the other). I was contacted by reporters for both articles shortly in advance of publication. In both cases, I informed them that many of the points they intended to raise in their articles would be covered in great detail in my book, which was scheduled to appear 1 week later on November 11. In both cases, the authors of these articles showed little interest in what I might have to say, and both rushed into print without waiting to see the book.

As a result, there has been a great deal of misinformation and misunderstanding that could easily have been avoided. Because of the proximity of the dates, many observers perhaps understandably assumed that these articles were a critique of my research, when in fact they deliberately chose to ignore it. What they did was to set up a series of straw men, crude caricatures of both the evidence and those who have treated that evidence seriously, and then proceed to knock them down. I do not recognize myself in these gross generalizations, although I am clearly intended to be included as one of their generic conspiracy theorists. I also do not recognize the sources they describe, although I have in many cases spent many hours with these men while the authors of these articles have for the most part contented themselves with a search for press clips. Most of all, I do not find in these articles any reflection of the care and attention that has been devoted to authenticating the evidence that I and others have presented. In their selective use of evidence, their unwillingness to consider alternative explanations, their quickness to demean anyone who has done serious research work on this subject, and their cavalier and wholesale dis-

<sup>&</sup>lt;sup>1</sup> Steven Emerson and Jesse Furman, *The New Republic*, November 18, 1991; John Barry et al., *Newsweek*, November 11, 1991.

missal of the testimony of numerous sources, they did nothing to further the cause of truth. They did, however, whether intentionally or inadvertently, poison the atmosphere in such a way that a reasoned discussion of these issues has become infinitely more difficult.

That is regrettable, for a dispassionate discussion of these issues is precisely what

is needed at this time.

Last week, Random House/Times Books published October Surprise: America's Hostages in Iran and the Election of Ronald Reagan. In that book, I attempt to provide the first truly comprehensive analysis of all the available evidence on this subject. The book contains a great deal of new information, not of the "smoking gun variety but rather the crucial details that link the major events together in a whole that is greater than the sum of the parts. The array of evidence presented in the book is the same evidence that persuaded me to change from disbelief to a growing conviction that a secret deal took place in 1980. That evidence may not persuade everyone, but it does provide a baseline for reasoned discussion. In the past, this story has consisted mostly of isolated bits of evidence presented in a wide array of news sources. This book at least assembles those diverse bits and pieces and places them in a larger political and historical context.

What this evidence shows is a consistent pattern of secret contacts between the Reagan-Bush campaign and Iran. The contacts began early in 1980, from about the moment that William Casey became the campaign manager for Mr. Reagan. They continued through the summer of that year in Madrid, where the first outline of a deal was reportedly proposed and accepted and where Israeli participation was first introduced. The terms of the bargain were reportedly made final in the second half of October in Paris. The hostages were released minutes after President Reagan had taken the oath of office, and arms began to flow to Iran from Israel, with U.S. Gov-

ernment acquiescence, almost immediately thereafter.

The historical spine of this account is simply a reconstruction of the chronological record, based on a wide variety of news accounts, letters, and other data from the period. Some of this information has only recently come to light, such as the report of the Iranian foreign minister to the parliament on August 16, 1980, in which he said: "We have information that the American Republican Party, in order to win in the upcoming election, is trying very hard to delay the resolution of the hostage question until after the American election." [p. 89] That statement was made only a few days after Casey was reported to have met with an Iranian representative in Madrid for the very purpose described in the statement.

Some of the new information is based on a review of information that was available to the Carter administration in 1980. For example, it is now known that the Hashemi brothers, who were working both with the Carter administration and, covertly, with the Reagan campaign, did seek out two senior Iranians who were prepared to come out of Iran to meet with Americans on the hostage question. One of those was a relative of Khomeini, who in fact had such a meeting in Madrid with a private U.S. representative on July 2. The other was Mehdi Karrubi, who is later said to have met with William Casey at the same site and under almost identical

circumstances just 3 weeks later.

In reconstructing this sequence of events, I conducted hundreds of interviews over a period of several years. I also shared information with a number of fine journalists and scholars, and I benefited immensely from their work. In the book, I cite more than 50 sources, most of whom were former government officials in Iran, the United States, Israel, as well as officials of the Republican campaign, former hostages, and academics. There is no "super source" who claims to know the whole story. Quite the contrary, I was told repeatedly that this was a professionally managed covert operation which respected the rules of compartmentalization and "need to know."

The sources are named. Unlike the Watergate investigation that was launched on the basis of a unidentified Deep Throat, this research relies primarily on the testimony of individuals who have been prepared, often at some personal risk, to speak on the record. That means that these individuals have exposed themselves to attack and ridicule, but it also means that in the best academic tradition, the facts can be checked by other investigators. Anonymous sources are used very sparingly in this book, primarily to corroborate information from other sources.

Key elements of the story, particularly the accounts of covert meetings, rely on individuals who have operated on the shadowy side of international politics. Covert arms deals and political operations, regrettably, do not employ boy scout leaders and church deacons. There are two good reasons for that. First, "respectable" people do not have the special skills that are required for such operations. Second, it is convenient to be able to discredit a disgruntled operative who may decide to start

talking about what he knows. That does, however, create a serious problem for the researcher.

There are two possible choices. One can dismiss any source who does not have an impeccable record of integrity and honesty. Some have even gone so far as to suggest that anyone who has been investigated or indicted by a federal agency should automatically be rejected as a source, and everything he says should be regarded as false. In Washington, and elsewhere, that sharply reduces the available supply of interlocutors.

A second possibility is to listen carefully to what such individuals say, especially if there is reason to believe that they have access to important information, and then to check those statements as carefully as possible. That is the path I chose. To paraphrase President Reagan's maxim, the rule is "Listen but verify." To those who would repudiate any specific source, I would ask only that you take the effort to find out what information is based on his testimony and whether there is any corroborating evidence. What you will soon discover is that many of the sources who have become popular targets for attack either do not appear at all in this study or else have been used only when the information they provided was independently corroborated.

Mr. Chairman, based on my research, I believe there is substantial evidence that a secret deal was carried out during the election of 1980. Most of that evidence has never been examined by a duly constituted body of the U.S. Government. It is certainly incomplete, and reasonable people may differ on the interpretation of the data, but in my view there is ample evidence to justify a low-key and responsible examination by a panel equipped with subpoena power.

In closing, let me suggest to you several areas of inquiry that have been closed to me and to other private researchers but which might be fruitful avenues of investi-

gation for a congressional committee.

First, and most obvious, where was William Casey during this period? Over the past summer, President Reagan directed the archivists of his new library to search the 1980 campaign records to see if there was any evidence that William Casey was involved with Iran during the campaign. According to their report, they found no information whatsoever about his schedule. Mr. Casey simply seemed to be absent from the campaign he directed. His secretary has been similarly uninformed. When reporters contacted her about Mr. Casey's movements during the period of the alleged meetings in Madrid, she had no information about his movements. Later research discovered that he had attended an international conference in London during part of that time. Can it be that Mr. Casey went off to a long-scheduled conference without telling his secretary or leaving behind some instructions about how he could be reached? This was, after all, only the second week after the Republican National Convention, and he was the national campaign manager. Mr. Casey was a very busy man. It seems impossible that he would keep no day books, phone logs, calendars, or appointment books, that he accumulated no bills or receipts or even memos that would locate him on key dates. Is there no one who saw him or spoke to him on those dates? We have here the case of the phantom campaign manager. I think a duly empowered investigative team could resolve this mystery. It may find that he was merely attending to campaign business on those dates. If so, then perhaps these questions can be laid to rest. But all attempts to do so have thus far

Second, we know from court documents that the New York office of Cyrus Hashemi was under intensive surveillance by the FBI and Customs from at least October 14, 1980, until the surveillance was abruptly terminated shortly after the Reagan administration took office. Cyrus Hashemi, according to his brother, was acting as a double agent, cooperating with both the Carter administration and Mr. Casey on the hostage issue. His telephone calls, conversations and movements during this crucial period should provide a wealth of information that would either confirm or deny his brother's accounts. Those records are presently sealed and unavailable to private investigators, as are his files in other government agencies that had contact with him. They should be available to an investigative committee of the Congress.

Third, there is a considerable body of evidence that military equipment began to flow in substantial quantities from Israel to Iran almost immediately after the Reagan inauguration and that these shipments were known to, and approved, by the new administration. There are also repeated charges that some of that equipment came from U.S. stockpiles in Europe and possibly in the United States. That can be checked. A proper investigation should be able to determine whether or not

these shipments occurred, and if they did, who authorized them.

Finally, a congressional committee should be able to take depositions from many of the sources who have provided information on this subject, as well as those who have steadfastly refused to talk to me or others who have attempted to investigate this story.

In short, it is my view that the evidence developed to date is sufficient to justify an investigation, and there is reason to believe that such an investigation could re-

solve the issue.

The charges that have been raised are not about refighting an election that is long past. They are about the proper functioning of a democratic system. If this did not happen, we owe it to Mr. Casey and others to clear any suspicion from their names. If it did happen, it was a perversion of the democratic process and those responsible should be held accountable for their actions, if only to insure that it never happens again.

Senator Sanford. Well, we will proceed with question with each member being given about 10 minutes. Then we will interrupt, if

we have to, for votes.

You have outlined about four things, it seems to me, that you could not pursue beyond a certain point because you lacked the legal authority to insist on talking to people or insist on information. Would you repeat those, if I have correctly drew four out of your testimony?

Mr. Sick. That is correct. I suggested that you would look at locating Mr. Casey. That, it seems to me, is something that can be

done.

People have talked a great deal about the fact that, "you can't prove a negative." Yes, you can. You can certainly prove that Mr. Casey was not in Madrid at a certain time. If he wasn't there, it should be possible with a man who is that busy and when specific

dates are identified to be able to establish that.

Second, the court documents of Cyrus Hashemi, when he was under intensive surveillance. His office had a bug. It had a telephone tap. And it had actually TV surveillance of his office in New York. And that was put on under the Carter administration in October, October 14 it went into effect. It was approved in August 1980 and it went into effect on about October 14, which is supposedly just a few days before the meetings that took place in Paris. And it was removed immediately after the Reagan administration came into office; all the surveillance was abruptly removed for reasons that have never been explained.

Those tapes, documents, surveillance records should still be available either in the FBI and Customs Department files or else in

the sealed documents of the court.

The third thing is military equipment. There is evidence that military equipment began to flow to Iran in really very substantial quantities up to about \$300 million in the first few months immediately after the Reagan administration came into office. And there are allegations that that included U.S. military equipment as well. It should be possible to check that, the records of where things went at the time.

And then finally, it should be interesting to look at the sources themselves since there is so much dispute over whether these sources are telling the truth, whether they can be relied on, what better way to do it than to bring them in and sit them down in front of a committee under oath and take a deposition from them.

It is not necessarily an exhaustive list, Mr. Chairman. There are other areas which I think can be explored as well, potentially. But

I think that is at least an indicative list, suggested list, of some areas that might, in fact, be worthwhile for a committee to look into.

Senator Sanford. What was the policy on arms to Iran during the period that the hostages were held?

Mr. Sick. There was a total embargo. Senator Sanford. But was it working?

Mr. Sick. Well, yes and no. It was working as far as the Carter administration was concerned.

To the best of my knowledge and, I think, to best of anyone else's knowledge, not a single piece of military equipment was delivered to Iran from the time of the revolution itself until the Carter administration left office. So that part of the embargo was maintained.

There were arms deliveries out of Europe. And we know a good bit about that. And I've discussed some of that in my book. The French, I think, the Germans, the British, and others in fact did. And there were shipments through Spain and Portugal and the like. Israel was, in fact, maintaining an arms relationship with Iran, which, one of the things that I discovered in the book that surprised me, in doing the research, was that Israel reestablished covert connections with Iran much earlier than I had anticipated.

Senator Sanford. Well, let me ask you about the shipments that went from other places. Just for the record, why was Iran interested in U.S. military parts?

Mr. Sick. Iran's military was purchased from the United States. Its military forces were equipped, especially the air force, was equipped with U.S. military equipment. And so when the Shah was overthrown and an embargo went into effect they had a problem of maintaining their military equipment properly without full access to spare parts. And so they were anxiously looking wherever they could around the world to find that.

One of the places that they did look, was Israel. And the Israelis did, in fact, ship some military equipment to them.

Senator Sanford. How would you go about finding out if that happened? Or have you, indeed, found out that there were shipments?

Mr. Sick. Yes, sir, I have.

I report in the book three different instances. One was a shipment of apparently F-4 tires, which is a peculiar item. But it shows up over and over again. And the reason it was important is that they simply can't stock a lifetime worth of tires and you expect you're able to buy those when you need them. And then suddenly Iran found itself unable to do so. And they need tires, they wear them out rather rapidly with the fighters.

Senator Sanford. Well, do you think you have fully investigated

that episode?

Mr. Sick. I think in April, approximately April 1980, I have three different Israeli sources who were in a position to know who indicated that that, in fact, happened. And that after that happened, the United States protested and Mr. Begin put out an order that Israel was not to sell even shoelaces to Iran.

However, in July, I think, the arms shipments began again. And then there was one other shipment, a minimum at least, in October that we can document fairly substantially.

Senator Sanford. Well, if you determined all of that, what else

can this committee do?

Mr. Sick. I simply offer that to the committee.

And as far as those arms shipments are concerned, I don't think the committee needs to look into those. It's the arms shipments that began to take place after the Reagan administration came in and after the hostages were released. All of those shipments took place during the year.

Senator Sanford. Were those shipments in violation of the ad-

ministration's policy?

Mr. Sick. When the shipment by Israel was made in October, for instance, President Carter sent a very angry message to Mr. Begin reminding him of his pledge not to provide arms to Iran. And Mr. Begin, in return, assured President Carter that no more arms would be sent until the hostages were released.

It was not carried beyond that, but it was a very, very strong

complaint from one head of state to another head of state.

Senator Sanford. Were shipments stopped?

Mr. Sick. To the best of my knowledge, they were.

Senator Sanford. Is there anything else for us to look at in that regard?

Mr. Sick. I do not believe so in that regard.

There may be some fine points or details that I'm not aware of. Senator Sanford. In other words, you are suggesting that those shipments have been verified.

Mr. Sick. I believe that the evidence is very strong and that

really does not need to have a great deal more investigation.

Senator Sanford. Well, how many weapons were shipped, just a

shipload or so?

Mr. Sick. This—in the first case, the two air shipments which took place in about April 1980 and again in October 1980 involved 250 to 300 F-4 spare tires. It's definitely not a huge quantity. Those tires, to the best of my knowledge, are manufactured in Israel for their own U.S. equipment.

That was one of the reasons that Israel was such an attractive source of military equipment is that Israel is also equipped with American material. And so they have a stockpile of material, spare

parts and the like, that would be useful.

So, it was not—the other things were shipments that began, I believe, in July or probably August or September that were arranged by Mr. Hashemi, Cyrus Hashemi, as a result of his meetings with Mr. Casey. That appears to be mostly ammunition and it was sent by ship. That's the report that we have. That's the allegation, that it was sent by ship. And we have very little additional information on that. So there is something there that might be investigated.

Senator Sanford. So how would this committee go about obtain-

ing that information?

Mr. Sick. I assume there are shipping records. There has been some effort made to try to track shipping records through Lloyd's without any great success. And it's conceivable that the U.S. Gov-

ernment has shipping records that are much more complete and accurate during that period of time. I don't know that.

Senator Sanford. Have you looked at any official Israeli records?

Mr. Sick. No. sir.

Senator Sanford. We got about 2 more minutes.

Senator Sarbanes. I do not know. We have five bells up there. Senator Sanford. I think we will just suspend for a few moments, then, and continue when we get back.

[A brief recess was taken.]

Senator Sanford. The committee will come to order. I think we

were talking about the transfer of arms from Israel.

Mr. Sick. Yes, sir, Mr. Chairman. If I could just add that, to me, the key question in this is the flow of arms which began after the Reagan administration came in, because that's really the issue here. There were a couple of small deliveries that went before which may be significant in terms of the historical chronicle, but in fact it's the arms that flowed afterward. And particularly the fact that the U.S. Government may have formally approved those arms, or informally have improved that arms flow, which would have been contrary to our own policy.

The arms embargo did remain in effect even after the hostages were released, and after the Reagan administration came in in 1981. And the question is, did the Reagan administration or members of the Reagan administration approve, tacitly or openly, the flow of arms including, possibly, U.S. military equipment, to Iran, which would have been absolutely contrary to the embargo and

contrary to U.S. policy in every way.

That is the question, and there is an area where I have simply been unable, as a private researcher, to investigate it. There are various ways that these things could have been done. And I honestly don't know how they were done in terms of the flow of arms. But even, you know, former Secretary of State Alexander Haig has indicated that he is, would not be surprised-Senator Sanford. That he would what?

Mr. Sick [continuing]. That he, I believe, I can't quote his precise words, but he said something to the effect that he understood that there were arms that had gone to Iran during that period of time. And so the fact that there were arms flowing after the Reagan administration came in, that there were arms flowing, is not in great

The question is, did they involve U.S. military equipment, and were these arms transfers approved openly or covertly by the administration? Those are questions that I have not been able to resolve. I have talked, and other individuals have talked, to a number of members of the administration. And the answer we tend to get in these cases is, they don't say this never happened, they simply say, "I had no hand in this. I was not involved in it." And that's the answer we get. So thus far we've been unable to establish that. It should be possible to establish that when looking at the arms flow.

Senator Sanford. What was the policy? How long did you stay in

the administration after the inauguration?

Mr. Sick. I stayed on until April 1981, which is only the first few months. During that period of time I was first acting as the Middle .1

East person on the National Security Council staff. And then I stayed on after that until, from April until August, when I was an unpaid consultant with the National Security Council staff. But most of the time after April I was basically working on research for the book that I planned to write. So I was there doing research, and not really being a member of the National Security Council staff

Senator Sanford. Research on what?

Mr. Sick. On the Iranian revolution and the hostage crisis, which I subsequently wrote a book about.

Senator Sanford. Named? Mr. Sick. All Fall Down.

Senator Sanford. Did the embargo policy change after the election?

Mr. SICK. No, sir, as far as I know the embargo on arms shipments to Iran is still in effect.

Senator Sanford. And you cannot testify as to the violations of

that embargo after the inauguration.

Mr. Sick. I cannot provide documentation of that fact. That's the point where an investigative committee would be particularly helpful, because it has been impossible for private investigators to develop the documentation of the allegations that such things took place.

Senator Sanford. Doubtless we will come back, but now I am

going to ask Senator Jeffords if he would care to.

Senator Jeffords. There are several key events that are pivotal in your version of the October Surprise events. In the introduction of your book on page 10, you indicate credibility is particularly problematic in such investigations, making corroboration essential. You say you have corroborated key elements of the story by two or

more independent sources.

The question of whether hard evidence still exists to confirm or deny these allegations is one of the central questions, obviously, of this hearing. The Senate has to decide whether there is sufficient evidence which may be available to warrant a further investigation by this particular subcommittee. No matter how convincing the allegations, if nothing can be proved by a thorough investigation one way or other, then the Senate surely would be exercising an act of futility to warrant us to go forward.

It seems to me that we obviously have some very critical events here which are essential to establishing anything. And one is the Madrid meetings. And so I would like to focus my questions on that

aspect.

Mr. Sick. Good, Senator.

Senator JEFFORDS. It seems to me, and maybe you would answer this question first, if there is not significant evidence that would allow the Senate to conclude that there was a meeting in Madrid by Mr. Casey in particular, or members of the Reagan team, would there be any reason to go further?

there be any reason to go further?

Mr. Sick. Well, there are allegations of two sets of meetings in Madrid. One at the end of July and again in, about 2 weeks later in August, early to mid-August. And then again, there are allegations of meetings in Europe involving some of the planning that

came out of those meetings. And again, in Paris in October.

.)"

So I, there are, plus there are allegations that Mr. Casey began meeting with the Hashemi brothers, for instance, on this subject starting very early in 1980. If it is determined simply that Mr. Casey met with high-level Iranians to discuss that issue, I think that would be an interesting fact. It might not prove that the entire—that an arrangement was made, or that a deal was completed. But I think that that would be something that would be considered, at a minimum, improper.

Senator JEFFORDS. Well if we could show that no, if there was no evidence that any meeting ever occurred with Casey or members of the Reagan team, you would agree that it would be impossible for

us to prove anything else.

Mr. Sick. Well, if it is shown that these meetings did not take place, I think that would certainly be a major step to putting this to rest.

Senator Jeffords. Let me go to some specific allegations in your book which are very specific. In particular, on page 84 of your book you relate in detail what occurred and what was said at the meeting that supposedly occurred in July. You say for instance, could Iran confirm that Casey asked that the hostages would be well treated until the moment of their release. If Iran could give that assurance and if the hostages release is a gift to the new administration, the Republicans would be most grateful, and would give Iran its strength back. Where did that statement come from?

Mr. Sick. That was from Mr. Jamshid Hashemi, who is the gen-

tlemen who-he says that he was present at that meeting.

Senator JEFFORDS. And who corroborated that statement?

Mr. Sick. Nobody corroborated that, in the specific statement of what was said there. There are, however as I recall, five other sources that corroborated the fact that these meetings took place and the general nature of what happened. But he is the only eyewitness to that meeting.

Senator Jeffords. So the dissertation in your book on pages 84 and 85 related to the specific, what occurred at that meeting, is all

from Jamshid Hashemi.

Mr. Sick. Jamshid Hashemi, yes, sir. That is his account as an evewitness.

Senator JEFFORDS. So there is no other confirmation of this

Mr. Sick. There is no other eyewitness, no one else who had detailed information about what those conversations were.

Senator JEFFORDS. Now, is it your opinion that he would reiterate and give this committee that same information under oath?

Mr. Sick. I'm sorry, Senator, I really can't speak for him. I mean, I really cannot. I have had a number of conversations with him. I have not discussed what he plans to do.

Senator JEFFORDS. But he is available.

Mr. Sick. Yes, sir, he's an American citizen as of about 1 month

ago.

Senator Jeffords. On page 85 you go through your five corroborating witnesses, and I would like to ascertain from you on each of those. Admiral Madani first, you met with him on November 4, 1990. What specific evidence could we expect to get from him, from

...

your conversations with him, which would be relevant to the question as to whether or not the meeting occurred?

Mr. Sick. Admiral Madani was the—he was a naval officer in Iran who had opposed the Shah. He was forced out of his position, high-level position, in Iran, and became a college professor. After the revolution, he became the Defense Minister of Iran and then the Governor of Khuzistan Province.

By chance, he was a family friend of the Hashemis, these two brothers who were very active in this operation, and he—when Madani ran for President of Iran, he ran against Bani-Sadr in the elections of 1980, the January Iranian elections. When he ran against Bani-Sadr, the Hashemi brothers, Cyrus and Jamshid, were active in support of Madani. So he knew this family and this group.

He then—they came to the United States and he remained in Iran. He was finally forced to flee later in the year. The reason I'm bringing this in is that Madani knows the Hashemis quite well. They were working closely with him. He stayed in touch with them throughout the course of 1980.

And he said that during the course of 1980, he was told by the Hashemis that they had made contact with William Casey and the Republican Party, and that they were, in effect, working both sides. That they were working with the U.S. Government, but they were also working with the Republican campaign.

He said at that point he warned them that that was a very dangerous business, but they ignored his warnings and went ahead about their business. He also said that he was aware that meetings took place with Karrubi, between Casey and Karrubi, in Madrid, based on what he had been told at the time by the Hashemi brothers. So that's the background of that.

Senator Jeffords. Your next one is Ari Ben Menashe. You say that he revealed in 1990 that he had read Israeli intelligence reports describing these meetings. And he volunteered significant details that independently confirmed Hashemi's account. What were those——

Mr. Sick. Significant details.

Senator Jeffords. Significant details.

Mr. Sick. Yes, sir. Jamshid Hashemi had told me earlier about the Madrid meetings, and begun to describe them. But only in the sense that they had meetings in late July, and another meeting a couple of weeks later in August. And that was the first I'd heard about it, and it was just a very broad, general description.

I had been in touch with Ari Ben Menashe for some time, talking to him about various aspects of this question. I went back to him and I said, what do you know about Madrid? And he said, how did you find out about Madrid? And I said I had heard about these

things. And I said what do you know about them.

And he said—well he said, "I wasn't there, I had no participation in the thing, but I did read intelligence reports in Israel that related to these meetings." And I said what did they say? And he described in very general terms what they said. He said it had been a long time, he had not read those reports for a long time. But one of the key points that he made was he told me that there were four meetings in Madrid. And I said, that just can't be. I said it's already astonishing enough that there are accusations of two meet-

ings in Madrid, but to say that Mr. Casey came four times is just beyond belief. And so my feeling was that I really didn't believe

what he was telling me.

Later, when I had another session with Mr. Hashemi, he laid out for me in detail what had been done. And he said we had a meeting in Madrid, the first day meeting we couldn't resolve the issues. So we met again, and had a second meeting. He said then the same pattern was repeated 2 weeks later. I said, oh you mean there were four meetings. He said, that's right, there were four meetings.

And I take that as quite significant, that Ari Ben Menashe was aware that there were four meetings. I didn't know it at the time, and Mr. Hashemi had not told me that, and I didn't believe Ari Ben Menashe when he first told me. And I have to allow some cre-

dence for that.

Senator Jeffords. Is that an allegation that Casey was at four meetings or that there were four meetings held relative to the issue?

Mr. Sick. That there were four meetings. There was—in other words, what I had originally believed is that there were just two meetings, one in July and one in August. What I found out later was that was—that there were two meetings in each case, so in fact there were a total of four meetings, so I had simply not realized that before.

Senator JEFFORDS. And the two meetings were within the time-

frame of the July 27 through July 29?

Mr. Sick. No, sir, they were within the timeframe of July 25 to August 1, which are the dates that we were able to identify the Hashemi brothers in Madrid. More precisely, perhaps, they are within the timeframe of July 26 to 30 which is the period of time which Mr. Casey is missing.

Senator JEFFORDS. Now, is he available now, Ben Menashe?

Mr. Sick. He is, to the best of my knowledge, not in the country at this time, but he can certainly be reached. He is an Israeli citizen, and I have—again, I cannot speak for him, Senator. I really cannot.

Senator JEFFORDS. Arif Durrani, January of this year, he was informed of the meetings by Mohsen Rafiqdust and the head of the Iranian Revolutionary Guard. What information did he give to

vou?

Mr. Sick. I did not speak to him directly. This is a report of an interview by another person, and basically he reported being in—I have to go back and—that he was informed later on by Mohsen Rafiqdust, who he was close to—Mr. Durrani is an arms dealer, and Mohsen Rafiqdust is the arms—the chief arms buyer of the Revolutionary Guards in Iran.

He was very, very active in Europe and elsewhere procuring arms for Iran during this period of time, and what Mr. Durrani said is that he was informed by Mr. Rafiqdust that there were meetings in Madrid during this time period that were attended by

Mr. Casey and Karrubi.

Senator JEFFORDS. Heinrich Rupp, the contract pilot, there is considerable controversy over his role, as you know, from the Newsweek as well as the New Republic articles. What did you have—did you ascertain his evidence from him?

Mr. Sick. The only evidence I have, Senator, is what I related in the book, and that is that he has alleged that he made trips to Madrid during that period of time involving those meetings.

Senator JEFFORDS. Did you talk to him personally?

Mr. Sick. I did not, no, sir.

Senator Jeffords. Richard Babayan, an American arms dealer, now that you rely upon an unidentified witness, I believe——

Mr. Sick. Yes, sir.

Senator JEFFORDS. Who told you what he said, is that right?

Mr. Sick. That's correct.

Senator JEFFORDS. What did he, this identified witness, relate to vou?

Mr. Sick. May I refresh my memory?

Senator Jeffords. Yes.

Mr. Sick. What page are we on?

Senator Jeffords. That is on page 85. I don't think there's anything—what it says is that he had been visited in Paris in mid-August 1980 by an Iranian Intelligence officer who said he had just come from Madrid where he had attended meetings between Karrubi and Casev.

Mr. Sick. Yes, sir. That is—that's what I was told.

Senator JEFFORDS. And you were told this by an unidentified witness.

Mr. Sick. Yes, sir.

Senator JEFFORDS. So you did not speak to him yourself—Richard.

Mr. Sick. That is correct, ves.

Senator Jeffords. Are you willing to give to us the name of the unidentified witness, in private—I mean, in secret?

Mr. Sick. Yes, of course.

Senator Jeffords. Now, you again—Jamshid Hashemi, on page 80 you again talk about the meetings on August 12 and that is all from Jamshid?

Mr. Sick. Yes. Mr. Hashemi? Yes, it is.

Senator JEFFORDS. Is there any corroborating evidence of those statements of the meeting on August 12?

Mr. Sick. He is the only evewitness.

Senator Jeffords. On the bottom of page 87, Ben Menashe added one intriguing detail. It was his understanding that at the close of the Madrid meeting in August the various parties agreed to meet again in October to review their respective performance and to finalize their agreement. Again, who is the source of that?

Mr. Sick. I believe you just quoted it. Ari Ben Menashe, if I'm

not mistaken. Isn't that what I said?

Senator JEFFORDS. So I was wondering whether—he told that to you?

Mr. Sick. Yes, sir.

Senator Jeffords. OK. It did not come from someone else.

Mr. Sick. No, sir.

Senator JEFFORDS. So he told that directly to you.

Mr. Sick. Yes.

Senator Jeffords. I think that's all I have at this time.

Senator Sanford, Senator Robb.

Senator Robb. Thank you, Mr. Chairman. Mr. Sick, at this point we are in the process of beginning an inquiry, and there are going to be a number of avenues that we will follow as the investigation unfolds.

I have a couple of procedural questions as we get started. You indicated there was at least one unnamed source in response to Senator Jefford's question just a moment ago that you would share with the committee. Are there other unnamed sources upon which you relied for information that is contained in your book, and do you have information that you can share with the committee that would not be publicly available at this point?

Mr. Sick. Senator, first of all I should say that I tried to rely as little as possible unnamed sources. I have named almost all of my sources, and I don't believe that there are any major pieces of information that rely solely on unnamed sources. I have tried to

avoid that.

I am certainly prepared to share with the committee the background information and I—since I would have to go back in my own mind and examine each and every one of them, there may be some people that I simply cannot identify, simply because it might be dangerous to them. I would have to rethink that, but my basic answer is that I certainly am prepared to share with the committee my work and the notes behind it and so forth that I have done, including the name of any of the sources at least in terms of the confidential.

Senator Robb. I was struck by the number of references you made to specific sources, which for something like this sometimes is not the case, and it seemed to me that if there were any others that you thought would be useful for us to pursue that might not have been identified then we might try to follow up on those sources.

Mr. Sick. Yes, sir. I would certainly do my best to cooperate in any way I possibly could.

Senator Robb. On a confidential basis, whatever security classifi-

cation may be necessary.

At this stage, we seem to be reacting to some degree to the articles that were written in Newsweek and the New Republic. I wonder if there are any parts of those articles that appeared to contradict your book that you'd like to comment on, and given the amount of time you've already invested in this particular topic, could you take those articles or others where some significant amount of journalistic research has been done and simply annotate them with regard to whatever comments you might have about the authenticity or the correctness of the conclusions that were reached by the authors of each piece? It seems to me it might be useful for all of us to have some sort of an annotated version so that we could cause the issues to be joined early on in our investigation.

Mr. Sick. Yes, Senator, I would be pleased to help in any way that I can. I should draw your attention to the fact that in the statement that I circulated this morning there is a critique of the two articles in broad terms, not in specific terms, and I would be

quite prepared.

Also, I think the committee is aware that it was quoted, I believe by Senator Wofford yesterday, that Robert Parry, who was one of the key journalists who was identified, in many cases attacked in these articles, or at least in one of them, has done a point-by-point annotation. It's about a 6-page letter to the New Republic identifying what his problems are with the thing, and it's quite a good identification of places where there were misstatements of fact and the like.

The main problem that I have with it, in terms of my own work, is that the two articles were rushed into print knowing that I was going to publish a book, without waiting to even see the book or, for that matter, to take into account anything that I might have to say about their questions, and one final point that I would make about the articles, I would draw your attention to the fact that at the end of the Newsweek article there is a theorizing that somehow this whole thing was a matter of mistaken identity, that somehow when the Iranians got to this first meeting in Madrid, on July 2, 1980, which was with a U.S. representative, that they thought they were really talking to the Reagan campaign and that that then led to all of this confusion later on.

Senator, I simply want to say unequivocally that that is simply not true, and not only is it not true, but I mean, I know something about that meeting. I think I know as much about it as—certainly a good deal more than the reporters who worked on the thing. I was in the U.S. Government at that time, I was familiar with that

meeting.

The Iranian representative came to Madrid on July 2, met with the American private representative, presented him with a proposal that was to be used for a diplomatic initiative by the Carter administration. That was then relayed back to Washington. It was discussed, and an answer was set back to him telephonically later on saying that this is the—this is what we think of the idea and we're prepared to go so far, and then after that the proposal that they made in the slightly altered form was in fact implemented.

There is not the slightest possibility that they thought they were talking to the Reagan campaign. Simply, the whole subject of the conversation involved what they wanted the Carter administration to do, so—and I pointed that out to the reporter who was working on this piece, and since he didn't seem to want to listen to what I was saying, I wrote a statement, signed it, and sent it to him, saying that there was not the slightest possibility of a mistaken identity. He chose not to use that in his article.

Beyond that, he—after the—if you notice, the way he ends that article, it is all on the conditional—could it be that such and such happened. Is it possible that—that, in my view, is not investigative reporting. I mean, I have never heard investigative reporters—in fact, it sounds more like a conspiracy theorist to me than it does to—than it does an investigative reporter who is trying to come to

grips with the facts.

There is one possibility, however, of mistaken identity—or not mistaken identity, but to explain the facts that he presented, and that is that there was a representative of the Reagan campaign there at the same Madrid meeting, the same man who arranged the meeting, who was Cyrus Hashemi. He was working for both the

U.S. Government and for the Reagan campaign in my view, and ac-

cording to his brother that's what he was doing at the time.

So it's conceivable that he would have relayed a message from the Reagan side to these same people out of the sight of the American representative who was there. I have no knowledge that that took place, but it's the only explanation that I can come up with to explain the sequence of events, but I can say absolutely without any doubt whatsoever that the whole concept of a mistaken identity simply was not true.

Senator Robb. You indicated earlier this morning that the presence, or lack thereof, of Mr. Casey at I assume the first of the Madrid meetings that appear to have taken place would be as criti-

cal as any single factor in pulling this whole thing together.

Mr. Sick. Oh, it would be quite important, there's no question. Senator Robb. In terms of establishing that, are there any witnesses that you believe would be particularly critical or credible if the committee were able to elicit the requisite information from them that you haven't been able to ascertain?

Mr. Sick. Yes, sir, I think there might very well be. My problem here is that—may I just leave it at that? I can't identify the individuals at this time because I have not been in touch with them myself and other people are in touch with them, and that's as far as I can go at this stage. It really isn't my information, but I do believe——

Senator Robb. You could provide us with the necessary informa-

tion to follow up on a classified basis?

Mr. Sick. Yes, sir, I would be—absolutely, and I think that that problem may take care of itself rather quickly. It may become public knowledge and, if so, it wouldn't be a problem any more.

Senator Robb. Mr. Sick, thank you. I do not think any additional inquiry in this area probably would be counterproductive for our purposes at this point.

Senator Sanford. Senator McConnell.

Senator McConnell. Thank you, Mr. Chairman.

Mr. Sick, in response to questions from Senator Jeffords, you indicated with regard to the Madrid meeting, three of the five participants, Admiral Medani, Ari Ben Menashe, and Durrani were not there.

The other two, by hearsay, you did not personally interview. One was Brenicki's friend, was that right?

Mr. Sick. Oh, yes.

Senator McConnell. Now Menashe has been indicted by U.S. courts for arms deals and said he had seen intelligence reports. I was wondering, did you see any intelligence reports?

Mr. Sick. No, sir.

Senator McConnell. After 8 years of silence on this, Mr. Sick, you said that allegations resurfaced, I believe you said during the 1988 Democratic Convention. Does that not tell you something about the timing of this issue?

Mr. Sick. The allegations emerged in the immediate wake of the Iran Contra affair, Senator, and I think that that took place in 1986 and 1987 and that is when people began to be willing to talk about their experiences that I think they had not been willing to

talk about before.

The allegations then began to emerge in 1987 and 1988 and 1988 was indeed an election year.

Senator Sarbanes. Could you pull the microphone closer to you,

Mr. Sick.

Mr. Sick. Yes, I certainly will.

Senator SARBANES. It would be helpful.

Senator McConnell. With regards to Casey's whereabouts, in fact, have not journalists interviewed witnesses establishing his whereabouts on specific dates and what seems to happen is that when he gets pinned down on one date we get a new date. Has there been some shifting of dates here?

Mr. Sick. I do not believe so, Senator, and in the book you will find that I have a picture of Mr. Casey in London, and the book was already printed and out. I mean, in effect being bound at the time when Newsweek and the New Republic made this startling

discovery that Mr. Casey had been in London.

I have a picture of him in London. That was a known fact, and the dates that I give in my book are exactly the ones that I have given now. There has been some confusion because apparently ABC Nightline focused on three specific dates, but I never did from the very beginning, and my book does not say so.

As far as I can tell, Mr. Casey is last identified, located on Friday, July 25. He then disappears from sight until he reemerges on July 30. He was in London at some portion of Monday, July 27,

I am sorry, July 28 and Tuesday, July 29.

And that is what we know at this point. He did come back to Washington on the July 30, arrived back in Washington on the July 30 and that night he had dinner with George Bush at the Alibi Club in Washington, DC.

Senator McConnell. You raise the issue of arms flow. How

many shipments exactly were there during 1980?

Mr. Sick. The only shipments that I am aware of were a shipment of spare tires in April, a shipment of spare tires in October and reports of four shiploads of arms sometime between approximately September, August/September and the end of the year.

Senator McConnell. Now how did you document that? This was

your area of specialty, right? How did you document that?

Mr. Sick. The documentation is spelled out in the book. Do you want me to go through the documentation?

Senator McConnell. Yes, by whom?

Senator McConnell. But did not Menashe tell you that in 1980

or later?

Mr. Sick. Oh, no, no.

Senator McConnell. Now, recently?

Mr. Sick. I knew only of one of the shipments at the time in 1980, if that is the question you are asking. No, the only one that I knew about in 1980 was the shipment in October which in fact came to the attention of the U.S. Government and I was aware of that at the time and in fact that is mentioned in my previous book, All Fall Down, that shipment is in fact mentioned.

That is the only one of the shipments that I was aware of at the time. All of the rest of this is something that I have learned really in the last 2 years.

Senator McConnell. You indicated that you had evidence that there was a mass of inquiries once Reagan came to office. Would you go back over that again and give us an indication of how you documented that?

Mr. Sick. If I may simply go through because there is quite a lot in this case which there is a whole chapter in my book devoted to what I call the quid pro quo, the fact that the arms that began to flow afterward and I would have a difficult time going through the entire thing. There are a lot of different reports, but I would be happy to step through those-

Senator McConnell. Which chapter are you talking about? I

may just come back to that later.

Mr. Sick. This starts on page 192.

Senator McConnell. All right. In the New York Times article you described meetings with Cyrus and Jamshid Hashemi in December 1979. You said they had good contacts and they were seeking support for their Presidential candidate who lost.

Who was their Presidential candidate?

Mr. Sick. Mr. Madani, Admiral Madani in Iran. Senator McConnell. You said that Washington was sympathetic but that Hashemi's appeal was overrun by events. What events

were you talking about?

Mr. Sick. This is an area, Senator, which draws on—I was very careful in what I said in that passage. This draws on my Government experience and I would prefer to talk about that, if we could off the record or in closed session rather than going into details about this.

I mean, just in terms of the fact that I was in the U.S. Government at the time. I have some familiarity with the operation that was, that activity and I would prefer to talk about it in closed ses-

sion rather than open session.

Senator McConnell. You seem completely comfortable accepting Jamshid Hashemi's claim to have met with Casey at the Mayflower Hotel in February or March 1980. Does it bother you that you are depending on someone who in a sense acknowledged trying to betray the Carter administration and how could you have had confidence in his credibility?

Mr. Sick. Because the points that I have been able to verify have turned out to be accurate. For instance, one of the things that Mr. Hashemi told me early on was that after he met with Mr. Casey they tried to-Casey asked them to locate some Iranians and who would come out of the country and be willing to meet with him to

talk about the hostage situation.

He said that he did. He identified who those people were. They found two individuals and they later did come out and meet. In going back over the record with a fine-toothed comb, I discovered that in fact, Mr. Hashemi's brother, Cyrus had contacted the State Department at one point and identified these two individuals as people who were willing to come out and meet.

Now when he first told me that he had done this, I had some skepticism, finding an independent note contemporaneously which says that in fact what he had told me turned out to true, a note which he could not possibly, under any circumstances have known existed, and which I do not think until the book came out, that he even knew that I had access to.

So there are things that has told me that I found surprising, that I tried to be skeptical and after looking at it, I discovered that what he told me is true, and that is the reason why I believe—I do not believe everything he says, but I have not yet found him to have told me a mistruth.

Senator McConnell. You said at least five of the sources who say they were in Paris in connection with meetings between the Reagan campaign officials and the Iranians say that George Bush was present at at least one of those meetings.

Was at least one of yours sources Richard Brenicki? Mr. Sick. No, sir, not the fact that Bush was in Paris.

Senator McConnell. What was the date of the alleged meeting with George Bush.

Mr. Sick. As you know, there are something like, I do not know, 10 or more sources that talk about the Paris meetings and they range quite widely in terms of their identification, and also the one thing that they kept telling me or all of the sources that I have talked to keep insisting, that this was a highly compartmentalized operation and that no individuals or very few individuals had any sense of the whole.

So in a sense in talking to these sources, you get a little piece here and a little piece there and you put them together. In the case of this, the best I am able to determine, Senator, is that the meetings between various groups began on about October 15 and that people were disbursing on around October 20 and just about everybody agrees that the key meetings, and I am not talking about one, but key meetings took place on Sunday, October 19.

That is the best I have been able to do. There is clearly a great deal of additional work that needs to be done on this in terms of specifying exactly what happened.

Senator McConnell. One quick followup because I am out of time. I asked you if one of the sources was Brenicki. Was one of the sources Brenicki's friend, Rupp?

Mr. Sick. That is correct. He has been—he is one of the people who has been quoted widely as saying that. Senator McConnell. Yes. Thanks, Mr. Chairman.

Senator JEFFORDS. Mr. Chairman, if I might, just one quick question. There were, I believe, two Karrubies that were alleged to be available at the meetings.

Mr. Sick. That's correct.

Senator Jeffords. Can you tell us the whereabouts of them now?

Do you know whether they are alive?

Mr. Sick. Yes. The first name, Mehdi Karrubi, who at that time was a senior official and a supporter of—in the close circle of Khomeini is presently the speaker of the Majlis, the Parliament in Iran and that is his position.

The other man, Hasan Karrubi, his brother, who later was in fact the man who met with American intelligence agents in Hamburg in I believe November 1984, and was one of the first to propose the beginning of what became the Iran Contra affair. He is in

Iran to the very best of my knowledge. I am not sure of his present status. I have heard that he has recently been arrested, but I have no firsthand information about his whereabouts.

The CHAIRMAN, Mr. Chairman, can we have a brief break for full

committee business?

Senator Sanford. Yes, Mr. Chairman.

[A brief recess was taken.]

Senator Sanford. The committee will resume its deliberations, and I will call now on Senator Sarbanes.

Senator Sarbanes. Thank you very much. Mr. Chairman. Mr. Sick, when was your book All Fall Down published?

Mr. Sick. Early 1985. In fact, it was April 198-

Senator SARBANES. I'm not sure the microphone is on.

Senator Sanford. Can we check these mikes here, please, and try another one.

Mr. Sick. Is it working now? I'll just try to speak very much closer right into the microphone, unless you want to change.

My book was published, I believe the month was April 1985.

Senator Sarbanes. All right, now when did you decide to undertake to write another book?

Mr. Sick. At the end of 1988.

Senator SARBANES. And I take it that—you submitted a—you were funded in order to do that by one of the foundations, is that right-

Mr. Sick. Yes, sir.

Senator SARBANES. To do that research?

Mr. Sick. That's correct.

Senator SARBANES. And therefore I assume you submitted a book proposal to them, an outline of what you were proposing to do.

Mr. Sick. Yes, sir, I did. Senator Sarbanes. What was that book, as you submitted the

proposal? What was the focus of that book to be?

Mr. Sick. That book was—what I had intended to look at was a sort of 8-year historical period, which was the period of the Iran-Iraq war which began in September 1980 and ended in 1988, and the administration of Ronald Reagan which began—the election was in 1980, but he came in in 1981 and left just after the war was

Those two events were practically simultaneous, so that—the Iran-Iraq war and the administration of Mr. Reagan—and I thought that it would be an interesting exercise academically to examine the-what happened to U.S. policy during that period of time, during the time when the Iran-Iraq war began until it ended, and during that period of Reagan's presidency.

I thought I detected trends and so forth that would be interesting to examine, and with particular attention, of course, to the Iran-

Contra affair which happened right in the middle of that.

Senator Sarbanes. So you were going to examine the Reagan ad-

ministration, in effect, as it dealt with Iran and Iraq.

Mr. Sick. In effect my previous book had looked at the Carter administration and its relations with Iran during that 4-year period from 1976 to 1980, and including the Iranian revolution and the hostage crisis, so in effect my other book, what I intended would be just simply a continuation of where I had left off previously, pick up there and talk about the next 8 years. I had really looked at U.S.-Iranian relations before. This was to be a continuation.

Senator Sarbanes. Now, as I understand it from your statement, as you researched that book, that book project, and just began collecting research material, you began to see a pattern that troubled you and you became increasingly concerned about this so-called possibility of this October meetings and so forth, in October 1980, is that correct?

Mr. Sick. That is correct.

Senator SARBANES. That was not the focus of your research project when you began.

Mr. Sick. Definitely not. That was not mentioned in my research

project.

Senator SARBANES. So in a sense it grew out of the research.

Mr. Sick. Very definitely, yes, sir.

Senator SARBANES. You did not start out with some preconceived theory here about all of this into which you were trying to force the facts, you were researching the facts and then out of the facts came a theory, is that correct? Is that a fair way to put it?

Mr. Sick. I think that's absolutely fair, and not only did I not have a preconceived notion, but I had repeatedly indicated up until that time that I didn't believe these charges and allegations which

had been floating around for a long time.

Senator Sarbanes. Now, it's interesting that we had this what amounts to virtually a preemptive strike with respect to your book by these two major magazine publications, shortly ahead of your—when was this most recent book published?

Mr. Sick. It came out on November 11. Those two articles appeared on November 4, although the dates on the magazines would lead you to believe they were much later than that. In fact, that's because of magazine dating, not because—they were both out on

November 4

Senator Sarbanes. Yes. It's an interesting phenomenon in this country. These magazines come out with dates that haven't even been reached at the time that they come out. I've never quite understood why they do that, unless it's to sort of lead you into thinking that they're way ahead of the news somehow or another. They have a date in advance even of the date when the magazine is available to you.

So obviously the authors of those articles had no access to your book. They weren't writing the article in light of your book, I take

it. They didn't have access to galley—did they have—

Mr. Sick. No. sir.

Senator Sarbanes. A chance to read galley proofs or——

Mr. Sick. No. sir.

Senator SARBANES. The book in the course of its process? Because the book, of courses—what you wrote on the book was finished at a much earlier time, I take it.

Mr. Sick. The book was finished in September, and there were still corrections being made to it in October, and it came out in November, but they did not have access to it, nor did anybody else. That was the decision of my publisher, that there were going to be no galleys circulated, so there were no galleys sent to the usual review authors, nobody. There were none sent to newspapers, jour-

nalists, any place. That was a decision of the publisher that that's

the way they wanted to do it.

Senator Sarbanes. Would you say that in your writings and speaking prior to the publishing of this book that you had laid out on the public record most everything that's in the book, or does the book represent a significant step up in the level of both facts and analysis?

Mr. Sick. My own feeling is that there is new information, again not smoking gun kind of information, but there is a lot of new information—historical facts, details, things that add a great deal, so the connective tissue of the whole story which is there, and includ-

ing some, I think, fairly significant new pieces.

So it has new information in it, but if the book makes a real contribution, I think that contribution is that it really for the first time lays out the entire story in a context of the political context, the economic, and so forth, in these various countries that were involved in this, and tries to lay that story out as a whole, and I would hope that the book, whether one agrees with it or disagrees with it, would at least provide some kind of a baseline of discourse, that people could at least be talking.

In the past, so much of this story has been based on a little piece here, a little piece there, obscure news sources, and they are always like little isolated bits, including the famous 30-second sound bite that people intend to try to summarize the story. This book at least gets beyond that and lays the story out. People may disagree with it, but at least it does attempt to lay out the evidence

in a coherent, systematic way, and I hope that is helpful.

Senator Sarbanes. It obviously does that, and that is very important, because it does give a comprehensive overall examination of the question, and it does it in the context where one can—I mean, I'm working my way through your book now, so I can't speak with full knowledge and information.

What was the longest written exposition you'd previously made

about this issue?

Mr. Sick. I had only made one written exposition, sir, and that was the Op-Ed piece that I did for the New York Times which appeared on April 15. That's the only——

Senator Sarbanes. Well, now I've read that. That's not a very—

well, it's a long piece for an Op-Ed piece-

Mr. Sick. That's right.

Senator SARBANES. But it's not a very long piece in terms of in comparison with your book.

Mr. Sick. That's right.

Senator SARBANES. You'd never done one of these sort of full-length magazine articles or anything of that sort?

Mr. Sick. No. sir.

Senator SARBANES. Actually, the New Republic article attacking you took up more than half of that issue of the New Republic, of the substantive portion. It was a very long article, I think some 8,000 or 9,000 words.

Now, in fact this is the New York Times article. It's just—it's just on 2 pages. Did you say those magazine articles—you don't really recognize your line of thought in them in the sense that—would you explain that a bit?

Mr. Sick. Yes. Just that there is an effort made in both of these pieces, and I think it's pretty obvious, to—to characterize anyone who has taken seriously these allegations, or who has done serious work on them, as being a sort of generic conspiracy theorist. There are no names provided in this. It's just, everybody is dismissed in the same wave of the hand, and in my view I don't see myself that way. I disagree with that part of the article very much.

Senator SARBANES. Well, we are going to hear, I think, from Mr.

Emerson.

Senator Sanford. He declined to come.

Senator SARBANES. Pardon?

Senator Sanford. He declined to come.

Senator SARBANES. Oh, he declined. We invited him to come and he declined.

Well, Mr. Chairman, I see my time is up. Thank you very much.

Senator Sanford. Senator Wofford.

Senator WOFFORD. Let me ask you to respond to the timing and if when I was out you have already answered this question tell me. The Iranians were apparently indicating an interest in arms and spare parts being a part of any deal with the Carter administration when the Bonn meetings took place in September.

Mr. Sick. Yes.

Senator WOFFORD. And then the message came that they were not interested anymore.

Mr. Sick. Yes, sir, that is right.

Senator Wofford. What are the factors that you think are possi-

ble factors for Iran changing its mind?

Mr. Sick. Well, that has been one of the most persistent puzzles to me in looking at this whole thing and different theories have been advanced. I have been struck by the fact that Iran desperately needed weapons, as we heard from Chuck Scott yesterday, the former hostage. They were contacting him in Tabriz of all things while he was still a hostage, asking if he could intervene and somehow get arms out to Iran.

And we know that they made a number of additional efforts. When they arrived for the negotiations with the Carter administration, they indicated some interest in military equipment. They came back to us later on and pushed us for greater assurance as

far as military equipment.

And then suddenly on October 21, 1980, they completely reversed themselves. One, they said, no more negotiations with the Carter administration; and two, we are no longer interested in military equipment at all.

Senator Wofford. They specifically added——

Mr. Sick. They specifically added that, and it was astonishing. It was a complete reversal of their position but not just a reversal of their position, it was a reversal of what appeared to be a sensible position from the Iranian point of view——

Senator Wofford. Because the war with Iraq was proceeding?

Mr. Sick. The war with Iraq had begun. They desperately needed the spare parts. We knew they had people out all over the world scouring every country looking for spare parts for their military equipment and suddenly, they simply announced to us we are not interested.

That military equipment, by the way, that we had was in fact Iran's. They had bought and paid for it, and that, as the New York Times story yesterday identified, is just now being settled. Iran never did get those spare parts and my understanding is that the U.S. Government is going to pay \$275 million back to Iran to compensate it for the military equipment that was never delivered. But they simply passed it up. And it was very, very difficult to understand why they would do that.

Senator WOFFORD. Did the arms that they got from Israel and maybe France, how much of that—how much did that amount to compared to what they were seeking to get from the United States?

Mr. Sick. I cannot put a price tag on the military equipment they received up to the time of the release of the hostages. After the release of the hostages and after the beginning of the Reagan administration, the arms flow really began substantially and there have been, I think quite reliable estimates, very responsible estimates of about up to about \$250 million to \$300 million worth of military equipment that, contracts for that within the period of the first few months after the Reagan administration came in.

That is, maybe by chance, roughly equivalent to the amount of equipment that was already, that was being held, but beyond that—there were undoubtedly other military equipment that was provided to Iran but that was the sort of initial burst right after the election.

Senator WOFFORD. But what they got in September or October was very small.

Mr. Sick. It was very small, very limited. It was just tires.

Senator Wofford. The war with Iraq had—I think one of the theories is that it had stabilized at that point. They were not in a crisis, but that they knew when the season changed, when the rainy season was over they would resume or they would have an offensive.

Mr. Sick. That is right. Well, there are really two things, Senator. I believe that is true, the war had stabilized, the front had stabilized, so they did not have quite the desperation that they had had before in terms—in other words, before, up until about October 10, they had perceived that the Iraqis might just overrun them completely and they would lose the war within a matter of a few days.

That fear had largely dissipated by the middle of October. They had stopped the Iraqi advance, and it was clear that it was going to settle into a long, very punishing battle, but at least it was not

going to be over very quickly.

At that point, then they had to think about how they could arm themselves, and they had—the materiel that was held by the United States, though it amounted to a lot of money was not necessarily what Iran was looking for. That was simply a potpourri, just a collection, whatever happened to be in the pipeline when the revolution took place and it got frozen, so it was just a hodgepodge, anything that happened to be there.

And the Iranians had specific needs. As far as I know there were no F-4 tires, for instance, in that \$300 million worth of materiel held by the U.S. Government. They needed F-4 tires and there might be truck engines that they really did not need at all. So it

was not something—what they were really looking for was a specific guarantee that they would get the kind of equipment they needed, and that is what in fact the Carter administration was not prepared to offer.

Senator WOFFORD. And the strategic situation was such that

when they would need it most-

Mr. Sick. Would be in the spring. Senator Wofford. It shifted to 1981.

Mr. Sick. That's right. Well, I think that is correct, that the fighting sort of bogged down for that period of time. It was the rainy season and then the fighting picked up again in January,

February.

Senator Wofford. Could you go over the conditions that the Iranians were insisting on for a hostage release to Carter? I understand those conditions shifted. Is the shift more than on the arms points? I think they had other conditions. To what extent did they shift in the fall of 1980?

Mr. Sick. The principal shift that occurred was that, first of all,

they decided not to-

Senator Sanford. I am going let this be the last question if you do not mind.

Senator Wofford, Sure.

Senator Sanford. Go ahead and answer it.

Mr. Sick. The principal thing that they changed was that they no longer asked for an apology by the U.S. Government which the Carter administration was unprepared to give them, and second, the request for arms—the other conditions are fairly simple and they involved getting the Shah's assets back, getting the frozen assets back and so forth, but the other major change was that whether or not they were really going to come to us and ask for military equipment. That was the uncertainty.

And it remained uncertain despite the meeting in Bonn and then later on, of course, then they actually withdrew it entirely. What they were saying to us privately in effect was we are interested in arms. They were not getting much of a response from the Carter administration. It was really very reluctant to get into an arms for hostages deal and so in the end, they withdraw it entirely, much to our surprise, even though President Carter had formally, openly promised that he would return that military equipment to them if

the hostages were released.

Senator Sanford. I am putting in a statement from Senator Frank Murkowski; a statement and a letter from Moorehead Kennedy, a letter from Moorehead Kennedy to President Bush.

The prepared statement of Senator Murkowski and letter from

Moorehead Kennedy follows:

#### PREPARED STATEMENT OF SENATOR MURKOWSKI

Mr. Chairman, I would like to comment on the process of these hearings. It is my understanding that yesterday and today's hearings are being held to determine whether there is any credible evidence behind the allegations of the so-called October Surprise. We seek this evidence to establish whether this subcommittee is warranted in spending over half a million dollars of taxpayer money over a period of 6 months.

The New York Times may feel that \$600,000 is a modest sum, as they so editorialized on Tuesday, November 19. But I, Mr. Chairman, think this is a great deal of

money to be poured into an investigation that so far has no substantiation, no credible evidence, and in fact has been refuted innumerable times. That is why I would

like these hearings to turn to the purpose for which they have been called.

Yesterday we heard from two distinguished Americans, men who have given service to their country, and men who were cheated out of 444 days of their lives by terrorists. No one doubts their patriotism, no one doubts their stories, and no one doubts that they wish to know the truth about attempts to secure their release. Despite these facts, both men swore under oath that they have no knowledge of any October Surprise.

Mr. Chairman, yesterday we spent the full 2 hours allowed for a hearing without ever getting to the reason for which the hearing was called. I hope today we can begin to address the issue before us, and that is finding credible evidence to warrant a \$600,000 investigation. My colleague, Senator McConnell, has already pointed out the suspect nature and conflicting stories of the key sources of the October Surprise.

This body is often criticized for never taking an opportunity to save the taxpayer dollars. I believe we have that chance before us now. As was also pointed out yesterday, these allegations were born in the media, and have been perpetuated by the media. Now the media has also debunked the allegations. During yesterday's testimony one of the witnesses stated that the journalistic investigations were insufficient because the writers were unable to subpoena people and information. I would argue that there may already be sufficient public information to throw out their charges without the time and expense of subpoenas, hearings and further investigations.

Mr. Chairman, I look forward to hearing from Mr. Gary Sick and to getting to the business before the Committee. Thank you.

THE AMERICAN FORUM FOR GLOBAL EDUCATION,
MOORHEAD KENNEDY INSTITUTE,
November 20. 1991.

Senator Terry Sanford,

Chairman, Subcommittee on Near Eastern and South Asian Affairs

DEAR SENATOR, I very much regret that it will not be possible for me to participate in the hearing on November 21, concerning the "October Surprise." As a former hostage in Iran, I strongly believe that allegations that our release was delayed for partisan political reasons should be investigated, and finally disposed of one way or the other. I trust that your subcommittee will recommend that the Senate undertake this investigation.

Please find enclosed with this transmission copies of my correspondence with the

President. As I wrote to the President,

Unless these allegations are disposed of definitively, one way or the other, citizens will believe that private negotiations, of the kind that may have hindered President Jimmy Carter's efforts to secure our release, are risk free. This could undermine the conduct of foreign relations in even more serious matters. full investigation with use of subreage and other powers to bring forth eving.

A full investigation, with use of subpoena and other powers to bring forth evidence now the subject of speculation, can resolve this matter.

With very best wishes, Respectfully,

MOORHEAD KENNEDY.

Enclosure

THE AMERICAN FORUM FOR GLOBAL EDUCATION,
MOORHEAD KENNEDY INSTITUTE,
June 5, 1991.

President George Bush, The White House, Washington, DC

DEAR MR. PRESIDENT, I would like to thank you for your letter to me, of May 9, regarding allegations of your involvement in a conspiracy to delay the return of the American hostages held in Iran. As one of those hostages, I indeed appreciate your concern.

Please understand, Mr. President, that I have never accused you of involvement in this alleged conspiracy. As a citizen, and life-long Republican, I of course accept

your assurances on this matter.

Those assurances need to go further, however, if they are to allay the misgivings of a growing number of our fellow citizens. You did not say, "I have investigated, and satisfied myself that no such conspiracy ever took place."

In other words, limiting your denial to your own lack of knowledge only serves to nourish the suspicion that something did happen. Unless addressed head-on, these allegations will continue to fester, undermining confidence on the part of the citi-

There is only one way to dispose of the issue once and for all, and that is through

a full investigation, one with the power to subpoena witnesses and documents.

What might come out of such an investigation? At best, the 1980 Campaign would be given a clean bill of health. At worst, a few individuals are discovered to have engaged in conduct that, in your words, was "fundamentally immoral." Those responsible, if still alive, would suffer excoriation and possible punishment.

Much will depend on who carries out the investigation. If the matter is left to the media, and if evidence of wrong-doing is uncovered, then the Republican Party cannot avoid blame. If, on the other hand, a Republican Administration were to expose the wrongdoing, always assuming this to be the case, then blame would

attach not to our Party, but only to the wrongdoers.

Finally, Mr. President, this matter involves more than a kidnapping of public servants, more than unwarranted interference in an election. What is at stake is

respect for constitutional process.

Unless these allegations are disposed of definitively, one way or the other, citizens will believe that private negotiations, of the kind that may have hindered President Jimmy Carter's efforts to secure our release, are risk-free. This could undermine the conduct of foreign relations in even more serious matters.

For all these reasons, Mr. President, I hope that you will order a full, impartial.

and effective investigation of these allegations.

Respectfully,

#### MOORHEAD KENNEDY.

Senator Sanford. I would like to ask you, Mr. Sick, if you would prepare, I hate to put this added burden on you, but I would appreciate if you would prepare a short document to be added to the record listing. I have listed some 20 items that you have suggested needed additional investigation because for lack of subpoena or other official authority you were stymied in pursuing and I think it would be helpful if you listed for the committee just exactly what those were.

I think it would be helpful for the committee if you listed confidential sources that you could reveal to the committee in closed session and if you would please, prepare those two exhibits, it

would be very helpful.

Now under the rules of the Senate, after the Senate goes in session and it has been in session for 2 hours, leadership on both sides must give permission to continue. In this case, the Republicans have objected to the continuation. Therefore, I am going to have an informal session for a moment. But I am going to recess this meeting until 9 a.m., Monday morning, but with no absolute assurance that we will indeed hold it at that time unless you are further noti-

I do that for procedural reasons of having proper notification. So I am continuing this hearing until Monday, but we will give you more specific notification if we intend to hold it.

Senator SARBANES. Mr. Chairman, do I understand that a member on the Republican side of the aisle has objected to the

committee continuing with this meeting?

Senator Sanford. Well, the Senator is exactly right except it is not necessarily a member, it could certainly be more than a member, but there is definitely a Republican objection to the continuation of this hearing.

Senator Kerry. Mr. Chairman, are we in informal session now?

Senator Sanford. We will when I hit the gavel.

Whereupon, the subcommittee recessed, to reconvene in informal session.

## INFORMAL SESSION

Senator Kerry, Mr. Chairman, I am going to say something, I think it is extraordinary that any Republican would see fit to object to a committee of the U.S. Congress trying to lift this cloud from this country regarding the electoral process of 1980 and the

allegations that have been set forward.

The issue here is not whether or not this happened, Mr. Chairman, specifically. It is whether or not we have the courage and the capacity to recognize our own responsibility to investigate it, and if I were a Republican with nothing to hide and nothing to fear and nothing to be concerned about. I would be screaming for an investigation as fast as it could take place, to prove the ridiculous, partisan, carping of those who are asking for an investigation.

But instead we have Republicans preventing the Senate committee from doing its duty, from performing its constitutional responsibilities and I am asking why? What are they frightened about?

What are they scared of in this investigation?

Now I have spent too much of my time in my 7 years hearing investigations. In fact, every year since I have been here I have been investigating and the first investigation met with the exact same discrediting of witnesses that we hear here. Oh, they are flakes. Oh, they are felons. Oh, they do not know what they are talking about, but every single one of them is now being used as a witness by the U.S. Government, by the Bush administration, by our Attorney General, against Noriega, against Carlos Laterer, against other people and they are going to jail on the testimony of those people.

And too many have come up here and said, no. Senator, we did not do this, we did not do that, and by God, we did not get involved in this or that. Those people, Mr. Chairman, are currently pleading guilty to lying to the Congress and are in front of the courts of this country for having violated their constitutional responsibility to

tell the truth.

In the drugs and contras issue, high officials have now acknowledged under oath that those things took place, the very things they denied, with respect to Noriega, matter of record, with respect to BCCI, matter of record.

And now the United States has a select committee on POW/MIA which I chair which is investigating frankly on equivalent if not

less evidence than has been put forward regarding this.

There is significant evidence here before this country and you know, everybody in this country is fed up with the U.S. Congress that seems to stumble over itself with its inability to do anything correctly or that they want. Here are the Republicans-look at it, absolutely vacant, absolutely vacant over there.

I think that is a symbol of a vacancy of morality, of a vacancy of commitment if you will, a vacuum, and I think people have had it right up to here. A book is about to come out on this issue. What do people think gave life to the whole POW/MIA issue 20 years later? It was people who wrote books and pursued the truth and it goes on and on.

This will go on and on unless we have the simple capacity to recognize our responsibility and duty to have an investigation. Now if I were George Bush and I were the Republicans, I would want that investigation done within the next month. Nobody has issued subpoenas, nobody has put testimony under oath and Gary Sick and a host of other people have put before this committee a series of sort of nonperformances in an investigative capacity and a series of issues that set up very legitimate outstanding questions that remain at large.

This is not some mere gadfly, off-the-wall allegation. This is somebody who was part of the National Security Council, who worked for three administrations, two of them Republican who stumbled into this after refusing to believe it for a long period of time, who is now suggesting that it ought to be investigated. The

hostages themselves ask for it to be investigated.

Incidently, that alone ought to be enough, the mere fact that people who spent time in that desert and in those blindfolds and in those conditions deprived of their liberty are saying, I want you to

do it, ought to be enough, but there is more.

So, Mr. Chairman, I think this is a remarkable statement, what we are seeing here, a remarkable statement. It represents a lack of spine and a lack of moral gumption and a lack of a sense of responsibility and I do not want to be party to that in this U.S. Congress and I refuse to be, and I am proud that you and Senator Sarbanes and others are also committed to not having this Congress continue to be associated with that kind of spinelessness.

And I hope that the Republicans will get off the dime and recognize what is at stake here because what is at stake here is the—is

the kind of country that we are, very simply, period.

Senator Sanford. Well, thank you, Senator Kerry.
Senator Sarbanes. Mr. Chairman, I want to emphasize that we had powerful testimony yesterday from two of the hostages of the necessity of having an inquiry into this matter. Now both of those hostages said they did not know the answers. In fact, they both indicated that they very much hope that upon an inquiry, it would be found that none of this took place, that it would, in effect, be disproved.

And Mr. Scott who gave a very strong statement said, I am just quoting him now: "I'm frustrated. I want to see the thing put to bed one way or the other so that we can get on with the important things that the United States has to face in the future. And frankly, I get tired trying to weasel word answers to questions on whether or not it happened. My standard answer is, I don't know, I was tied up that year. But I'm interested in Iran. I'm interested in the United States. I'm an American citizen and that's why I'm here."

United States. I'm an American citizen and that's why I'm here." And then he goes to say that: "I want to believe that within our constitutional framework and electoral process, that's the way that people reach that highest office in the land. And I'm not saying in this case because I have no information. In fact, you might as well know this"—this was Mr. Scott yesterday—"I voted for President Reagan in 1984. I voted for President Bush in 1988. So I have no political or personal ax to grind on this thing."

And then he goes on at the end to say: "I want to be able to go overseas 10 years from now when Iran opens up again, and I still have many friends over there, and be able to say definitely what happened in 1980. And I would love to be able to go over there and say there's nothing to these rumors. The thing was finally put to bed by the U.S. Senate. The people got a fair and equitable and impartial hearing and that this is the way it turned out. Don't believe the rumors. But right now, I can't say that. And I may be able to even then. But the best shot we've got at being able to say that is if this investigation takes place."

I think he is absolutely right. You need this inquiry in order to ascertain what the answers to these very serious questions are. And Mr. Scott and Mr. Rosen were both eloquent yesterday in their testimony. And Mr. Sick is a responsible and thoughtful observer, an experienced participant in the governmental process, an officer in the Naval Intelligence for almost a quarter of a century.

And it seems to be that if we do not press forward with an inquiry these charges and countercharges are going to continue and, in effect, will continue to poison the public perception of this issue. It ought to be answered. I do not know what the answer is. I am quite frank to admit that. And so I come to this with an open mind, trying to find out what the answer is. And I regret very much that an objection was lodged on the Republican side to prevent us from going forward with this hearing.

Senator Kerry. Mr. Chairman, I just want to ask, could I add? Senator Jeffords is obviously an exception to that, but I think he has taken a lot of flak, I know he has, for what he is trying to do.

But I want to make it clear that he is the exception.

Senator Sanford. Well, Senator Jeffords is certainly a man of

strong character.

And he and I had determined that we would do this thing in a nonpartisan, professional manner, that we would get at the facts and would not have much to say if anything publicly, would not hold public hearings just for show until and if we found something worthy of that kind of public revelation, that we would not attempt to use this in any way for partisan advantage or disadvantage. And I think that we can count on him as being a person that is certainly up to that kind of performance.

I do think that he has had a lot of pressure, but you cannot tell it. He did not flinch. We will have a vote, I suppose, by all of us to determine whether we want to go forward on it. So it will not only be a vote, it will be a rollcall and we can tell where people stand.

And that is the process.

So thank you very much for being here.

[Whereupon, at 11:32 a.m., the committee adjourned, to reconvened subject to the call of the Chair.]

## 5. Guiding Principles for the Investigation

# Focus:

The focus of the investigation will be upon any action taken prior to the 1980 elections by private citizens or Government Officials to manipulate the timing of the release of the hostages.

# Investigation:

The investigation will be conducted professionally and without fanfare. Public hearings or public discussions will not be conducted unless and until the subcommittee determines there is sufficient credible evidence to warrant same.

## Non-Partisan:

We have agreed that all matters will be decided by the chairman and the ranking minority member. The special counsel has been selected in this manner as will be the rest of the staff.

## Staff:

All staff who are engaged in the investigation will be under the direct supervision of the chairman and the ranking minority member.

## Confidentiality:

All travel or evidence (including, but not limited to persons, places or documents) will be available only on a "need to know" basis as determined by the chairman and the

ranking minority member of the subcommittee. In addition, the chairman and the ranking minority member of the subcommittee will periodically provide the chairman and the ranking minority member of the full committee a general description of the avenues of inquiry, the progess of the investigation and the types of individuals being investigated.

## Press:

We will issue an initial press release to name the special counsel, thereafter there will be no public statements made about the content of the investigation until such time as the subcommittee has formerly acted upon its findings.

## House of Representatives:

We will co-operate with the House Task Force to reduce time and expenditures, but will not compromise the need for confidentiality, security or non-partisanship.

Senator Terry Sanford

Chairman

Subcommittee on Near Eastern and South Asian Affairs

Senator James M. Jeffords Ranking Minority Member

Subcommitted on Medr Eastern and South Asian Affairs

## 6. Letter From Senator Jesse Helms to Senator Claiborne Pell, May 22,

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JOSEPH R BUDRI, JR., DELAWARE PAILS, B. SARSANES, MARYLAND ALAN CRANSTON, CALFORNIA CHRISTOPHER J. BODD, CONNECTICUT JOHNS P. ERRY, MASSACHUSETTS PAIL SINCOL, ILLINOIS TRINT SANGOL, NORTH CAROLINA BANGE, P. MOTHINIAN, 187W YORK CHARLES B. RODE, VIGINIA D. CHAMMANN

J. SSE (MILMS, MURTH I ARLY MINRICHARD G. LUGAR, MORANA

RANCY C. KASSER ADDRESS AS

MITCH MCCOMMELL, RESTUCKY

HANN SHOWN, COLDRADO

JAMES M. JEPFONDS, VERMONT

GENYLD S. CHRISTIANISCIL, STAPF DIRECTOR

## United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225 May 22, 1992

The Honorable Claiborne Pell Chairman Committee on Foreign Relations U.S. Senate Washington, D.C. 20510

Dear Clai:

With regard to the request of May 14, 1992, by Senators Sanford and Jeffords to authorize foreign travel to Europe by Special Counsel Reid Weingarten and a member of his staff, I hereby serve notice that I do not authorize such travel in accordance with Rule 11 of the Foreign Relations Committee rules.

The so-called "October Surprise" allegations are baseless and undeserving of Committee or Subcommittee attention. Staff travel as proposed in the May 14 letter would constitute a waste of taxpayers' money and should not be authorized.

Specifically, allegations by former president Abol Hassan Bani-Sadr have been proven to be ridiculous and I am puzzled that any knowledgeable and competent staff would seek to travel to Paris to meet with him.

With warmest regards,

Sincerely,

Yesse

JESSE HELMS

cc: The Honorable Terry Sanford
Chairman
Subcommittee on Near Eastern and South Asian Affairs

The Honorable James M. Jeffords
Ranking Minority Member
Subcommittee on Near Eastern and South Asian Affairs

## 7. Letter From Senators Terry Sanford and James Jeffords to Ambassador Donald Gregg, June 23, 1992

CLAIRORNE PELL, RHODE "SLAVILL CHANGE

JOSEPH R SINGN JA, DELAWARE PAUL S BARBANES, MARYLAND ALMI CRANDTON, CALPONNA CHIRDSTOPHER J DOOD, COMMECTICUS JOHN F, KRANY, MASSACHISETTS PAUL SINGON, RLINGIS TERRY SANGON, MOSTIN CAROLINA BANGE, P, MOTHINAE, NEW YORK I STATIONAL MUNITURE ARCHITICA
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United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510-6225

June 23, 1992

The Honorable Donald P. Gregg United States Ambassador to the Republic of Korea c/o Judah Best, Esq. Debevoise & Plimpton 555 13th Street, NW Washington, D.C. 20004

Dear Ambassador Gregg:

The Subcommittee on Near Eastern and South Asian Affairs of the Senate Foreign Relations Committee is investigating the so-called "October Surprise" allegations that private United States citizens and Government officials acted to delay or manipulate the release of the American hostages held in Iran in relation to the 1980 presidential election.

In connection with this investigation, the subcommittee plans to conduct several closed sessions beginning June 24, 1992 in order to receive testimony under oath. In lieu of asking you to travel to Washington to testify in person at this time, the subcommittee requests that you respond in writing by sworn statement to the following questions relating to our inquiry:

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#### Questions

- 1. During the period of November 4, 1979 to January 20, 1981 (inclusive) did you have any contact (including, but not limited to, written correspondence, personal conversations, and telephonic communications) with any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, relating to the holding of the American hostages in Iran? If yes, please describe such contacts and provide any documents in your possession referring or relating to such contacts or your knowledge of them.
  - During the period of November 4, 1979 to January 20, 1981 (inclusive) did you have any contact (including, but not limited to, written correspondence, personal conversations, and

telephonic communications) with any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, relating to the transfer or transshipment of American-made military equipment or spare parts to Iran directly from the United States or from Israel or any other third party countries or intermediaries? If yes, please describe such contacts and provide any documents in your possession referring or relating to such contacts or your knowledge of them.

- 3. Do you have any knowledge of any transmission of classified and/or secret information relating to the Iran hostage crisis by any member of the Carter Administration to any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, during the period November 4, 1979 to January 20, 1981 (inclusive) ? If yes, please describe such transmissions and provide any documents in your possession referring or relating to such transmissions or your knowledge of them.
- 4. Have you ever met or spoken to Jamshid Hashemi? If yes, please describe the nature of your contact with Jamshid Hashemi and provide any documents in your possession referring or relating to such contacts with him.
- 5. Have you ever met or spoken to Cyrus Hashemi? If yes, please describe the nature of your contact with Cyrus Hashemi and provide any documents in your possession referring or relating to such contacts with him.
- 6. Have you ever met or spoken to Reiner Jacobi ? If yes, please describe the nature of your contact with Jamshid Hashemi and provide any documents in your possession referring or relating to such contacts with him.
- 7. Did you travel outside the United States during the period March 1, 1980 to January 21, 1981 (inclusive) ? If yes, please identify the countries and cities visited, the duration and purpose of each trip, and provide any documents in your possession referring or relating to such travel.
- 8. Do you have any knowledge of any effort by private United States citizens or government officials to delay or manipulate the release of the United States hostages held in Iran in relation to the United States presidential election of 1980 ? If yes, please describe such knowledge and provide any documents in

your possession referring or relating to such knowledge.

9. Do you have any knowledge of any sales (both official and unofficial), transshipments, or other transfers of any American-made military equipment or spare parts to Iran directly from the United States or from Israel or any other any third-party countries or intermediaries during the period September 1, 1980 to December 31, 1981 (inclusive)? If yes, please describe such knowledge and provide any documents in your possession referring or relating to such knowledge.

In order for the subcommittee to complete its investigation in an expeditious manner, we look forward to receiving your responses by June 29, 1992. Our timely receipt of responsive and complete answers will assist our investigation and decrease the need to seek your formal in-person testimony. We thank you in advance for your cooperation.

With best wishes always,

Sincerely,

Terry San Chairman

Subcommittee on Near Eastern and South Asian Affairs

James M. Jeffordi Ranking Mingrity Member

## 8. Letter From Senators Terry Sanford and James Jeffords to President Ronald Reagan, July 22, 1992

\*\* CLAIBORNE PELL RHITEL IN ANIL CHANNERAN

JOSEPH R BIORN, JA. DELAWARE
PAUL S. SARBANES, MARYLAND
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MARRIS WOSFORD, PENESTUANIA

JESSE HELMS, NORTH LANA RICHARD G LULAR INHIANA NASY Y I KANYING KANYI

GERYLD B. CHRISTIANSON, STAFF DIRECTOR

United States Senate

COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510-6225

July 22, 1992

President Ronald Reagan c/ó Theodore Olson Gibson, Dunn & Crutcher Suite 900 1050 Connecticut Avenue, NW Washington, DC 20036

Dear Mr. Olson:

The Subcommittee on Near Eastern and South Asian Affairs of the Senate Foreign Relations Committee is investigating the so-called "October Surprise" allegations that private United States citizens and Government officials acted to delay or manipulate the release of the American hostages held in Iran in relation to the 1980 presidential election.

Consistent with our prior conversations with Special Counsel Reid Weingarten, the subcommittee would greatly appreciate if your client would provide sworn responses to the following questions. We would like to hold open the possibility that we would follow up these questions with an in-person interview.

### Questions

1. During the period of November 4, 1979 to January 20, 1981 (inclusive) did you have any contact (including, but not limited to, written correspondence, personal conversations, and telephonic communications) with any foreign national(s), official or otherwise, relating to the holding of the American hostages in Iran ? If yes, please describe such contacts and provide any documents in your possession referring or relating to such contacts or your knowledge of them.

:

2. During the period of November 4, 1979 to January 20, 1981 (inclusive) did you have any contact (including, but not limited to, written correspondence, personal conversations, and telephonic communications) with any foreign national(s), official or otherwise, relating to the transfer or transhipment of

American-made military equipment or spare parts to Iran directly from the United States or from Israel or any other third party countries or intermediaries? If yes, please describe such contacts and provide any documents in your possession referring or relating to such contacts or your knowledge of them.

- 3. Do you have any knowledge of any unauthorized transmission of classified and/or secret information relating to the Iran hostage crisis by any member of the Carter Administration to any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, during the period November 4, 1979 to January 20, 1981 (inclusive) ? If yes, please describe such transmissions and provide any documents in your possession referring or relating to such transmissions or your knowledge of them.
- 4. Have you ever met or spoken to John Shaheen? If yes, please . describe the nature of your contact with John Shaheen and provide any documents in your possession referring or relating to such contacts with him.
- 5. Have you ever met or spoken to Cyrus Hashemi? If yes, please describe the nature of your contact with Cyrus Hashemi and provide any documents in your possession referring or relating to such contacts with him.
- 6. Do you have any knowledge as to whether William Casey traveled outside the United States during the period March 1, 1980 to January 21, 1981 (inclusive)? If yes, please identify the countries and cities visited, the duration and purpose of each trip, and provide any documents in your possession referring or relating to such travel.
- 7. Do you have any knowledge of any effort by private United States citizens or government officials to delay or manipulate the timing of the release of the United States hostages held in Iran in relation to the United States presidential election of 1980 ? If yes, please describe such knowledge and provide any documents in your possession referring or relating to such knowledge.
- 8. During the period November 4, 1979 to January 20, 1981, did you make any efforts to expedite or facilitate the release of the United States hostages held in Iran ? If yes, please describe such efforts and provide any documents in your possession referring or relating to such efforts.

- 9. Do you have any knowledge of any efforts made by any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, to expedite or facilitate the release of the United States hostages held in Iran ? If yes, please describe such knowledge and provide any documents in your possession referring or relating to such knowledge.
- 10. Do you have any knowledge of any sales (both official and unofficial), transshipments, or other transfers of any American-made military equipment or spare parts to Iran directly from the United States or from Israel or any other any third-party countries or intermediaries during the period January 20, 1981 to December 31, 1981 (inclusive)? If yes, please describe such knowledge and provide any documents in your possession referring or relating to such knowledge.

In order for the subcommittee to complete its investigation in an expeditious manner, we look forward to receiving your responses by July 31, 1992. We thank you in advance for your cooperation.

With best wishes always,

Sincerely,

Terry Sanford

Chairman

Subcommittee on Near Eastern and South Asian Affairs

James M. Jeffords Kanking Minority Westber

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## 9. Ambassador Gregg's Answers to Senators Sanford and Jeffords' Written Questions, June 26, 1992

## **DEBEVOISE & PLIMPTON**

555 13TH STREET, N.W WASHINGTON, DC 20004 (202) 383-8000 U75 THIRD AVENUE NEW YORK, NY 10022 ICLEPHONE (212) 909-6000 601 SOUTH PIGUEROA STREET LOS ANGELES, CA 90017 TELEPHONE (213) 680-8000 TELECOPIER (213) 680-8100

TELEX: 405586 OPOC WOUD TELECOPIER (202) 383-8118 21 AVENUE GEORGE V 75008 PARIS 161 EPIGONE (33-1) 40-73-12-12 1614 COPIE R (33-1) 47-20-50-82 1 CREED COURT, 5 LUDGATE HILL LONDON EC4M 7AA TELEPHONE (44-71) 329 0779 TELECOPIER (44-71) 329 0860 1065 BUDAPEST REVAY KOZ 2 HV2 TELEPHONE (36-1) 131 0845 TELECOPIER (236-1) 131 0845

June 26, 1992

## VIA HAND DELIVERY

Evan T. Barr, Esq.
October Surprise Investigation
U.S. Senate Committee on
Foreign Relations
Room 708
Hart Senate Office Building
Washington, D.C. 20510-6225

Dear Mr. Barr:

I am pleased to enclose Ambassador Gregg's answers to the questions relating to the "October Surprise" which were propounded to him. As you will note, I am currently providing you with a facsimile of the Ambassador's answers. I will forward the original, notarized document as soon as it is available. Please call if I can be of further assistance.

Best regards.

Sincerely,

Judah Best

Enclosure

10612979



## Embassy of the United States of America

Seoul, Korea

June 26, 1992

Senator Terry Sanford, Chairman Subcommittee on Near Eastern and South Asian Affairs

Senator James M. Jeffords Ranking Minority Member

Dear Senators Sanford and Jeffords:

I very much appreciate the opportunity you have given me to respond in writing to your concerns regarding the so-called "October Surprise." The plain fact is that I had no involvement in or knowledge of any effort to delay or manipulate the release of the American hostages held in Iran with relation to the 1980 presidential election. All my knowledge of the alleged affair has come from Gary Sick's book, press reports and my own preparation as a witness for the Office of the United States Attorney in the perjury trial of Richard Brenneke in 1990. I thus am delighted to have the opportunity to set the record straight. For your convenience I have repeated your nine questions below with my answers following in sequence.

1. QUESTION: During the period of November 4, 1979 to January 20, 1981 (inclusive) did you have any contact (including, but not limited to, written correspondence, personal conversations, and telephonic communications) with any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, relating to the holding of the American hostages in Iran? If yes, please describe such contacts and provide any documents in your possession referring or relating to such contacts or your knowledge of them.

ANSWER: During the period covered by this question, I had no contact, written correspondence, personal conversation or telephonic communication with any individual or individuals associated with the Reagan-Bush presidential campaign or the Republican Party relating to the holding of the hostages, or for that matter, relative to any other subject. My first contacts

with the Reagan-Bush staff members took place after the election of November 1980. These contacts were devoted entirely to whether or not I would be retained by the incoming Reagan-Bush administration as a member of the National Security Council staff. In this connection, I met Richard V. Allen for the first time during the month of December 1980. I might also add that I met William Casey for the first time after he became Director of the Central Intelligence Agency in 1981.

2. QUESTION: During the period of November 4, 1979 to January 20, 1981 (inclusive), did you have any contact (including, but not limited to, written correspondence, personal conversations, and telephonic communications) with any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, relating to the transfer or transshipment of American-made military equipment or spare parts to Iran directly from the United States or from Israel or any other third party countries or intermediaries? If yes, please describe such contacts and provide any documents in your possession referring or relating to such contacts or your knowledge of them.

ANSWER: During the period covered by this question, I had no contact, written correspondence, personal conversation or telephonic communication with any individual or individuals associated with the Reagan-Bush presidential campaign or the Republican Party relating to the transfer or transshipment of American-made military equipment to Iran directly or via third countries, including Israel, or for the matter relating to any other subject. My duties on President Carter's National Security Council staff were focused on intelligence matters and East Asian affairs so that these alleged activities would not, in any case, have fallen into my normal areas of responsibility.

3. QUESTION: Do you have any knowledge of any transmission of classified and/or secret information relating to the Iran hostage crisis by any member of the Carter Administration to any individual(s), official or otherwise, associated with the Republican Party or the Reagan-Bush presidential campaign, during the period November 4, 1979 to January 20, 1981 (inclusive)? If yes, please describe such transmissions and provide any documents in your possession referring or relating to such transmissions or your knowledge of them.

ANSWER: I know of no transmission of documents and/or secret information regarding the Iran hostage crisis by any member of the Carter Administration to any member of the Reagan-Bush

campaign or the Republican Party. Gary Sick was the National Security Council staff member responsible for Iranian Affairs. That infrequent contact with Mr. Sick and had no indication whatsoever of any such contact or activity on his part.

4. QUESTION: Have you ever met or spoken to Jamshid Hashemi? If yes, please describe the nature of your contact with Jamshid. Hashemi and provide any documents in your possession referring or relating to such contacts with him.

ANSWER: I know of no person called Jamshid Hashemi. I have seen his name in contemporary newspaper articles connected with the "October Surprise" but unless he was introduced to me under an alias, I can say that I have never met with him or spoken to him.

5. QUESTION: Have you ever met or spoken to Cyrus Hashemi? If yes, please describe the nature of your contact with Cyrus Hashemi and provide any documents in your possession referring or relating to such contacts with him.

ANSWER: I know of no person called Cyrus Hashemi and to my knowledge I have had no contact with him of any sort. I am aware from Mr. Sick's book called October Surprise that the Hashemis allege that I met with them in New York in the spring of 1980. To the best of my knowledge, I have never met the Hashemis. This allegation is not true. I have made no trips to New York or any other place to discuss arms shipments to the Middle East with anyone at any time.

6. QUESTION: Have you ever met or spoken to Reinar Jacobi? If yes, please describe the nature of your contact with Reinar Jacobi and provide any documents in your possession referring or relating to such contacts with him.

ANSWER: I know of no person called Reinar Jacobi, and unless he was introduced to me under an alias, I can say I have never met with him or spoken to him.

7. QUESTION: Did you travel outside the United States during the period March 1, 1980 to January 21, 1981 (inclusive)? If yes, please identify the countries and cities visited, the duration and purpose of each trip, and provide any documents in your possession referring or relating to such travel.

ANSWER: I took four trips outside the United States during the period covered by this question. These trips are noted in personal calendar diaries kept by me and my wife. These are the

only documentary sources currently available to me regarding such travel. My foreign trips were as follows:

- -- From 8-11 July 1980, I flew with President Carter to Tokyo to attend the state funeral of Prime Minister Ohira of Japan.
- -- From 26-30 August 1980, I was travelling by private car with my wife in Nova Scotia, Canada visiting the towns of Yarmouth, Halifax, Baddeck and Louisburg.
- -- From 20-24 November 1980, I was involved in travel to and from a conference on East Asian developments held at Ditchley, a small town near Oxford, in southern England. At the end of the conference, I also visited friends in London.
- -- From 9-15 December 1980, I flew with Secretary of Defense Harold Brown on a trip to Tokyo and Seoul. The trip was entirely focused on bilateral relations between the U.S. and Japan and the U.S. and Korea.
- -- No other foreign travel was undertaken during the period covered by this question. Specifically, I did not travel to Spain in July of 1980 or to Paris in October of 1980 as some of Mr. Sick's sources allege. Copies of my pocket diary for July and October 1980 are attached, as are copies for the same months in my wife's calendar diary. As can be seen from the diaries, I was in the United States during the July and October periods. If you need further substantiation of any travel during the period in question, please advise me and I will supply this information.
- 8. QUESTION: Do you have any knowledge of any effort by private United States citizens or government officials to delay ormanipulate the release of the United States hostages held in Iran in relation to the United States presidential election of 1980? If yes, please describe such knowledge and provide any documents in your possession referring or relating to such knowledge.

ANSWER: Apart from allegations contained in Mr. Sick's book, which I consider to be completely spurious, I have no knowledge of any alleged effort by private United States citizens or U.S. Government officials to delay or manipulate the release of the American hostages held in Iran in 1980. I have no documents related to such alleged activities in my possession. I might add in this context that I was a close personal friend of one of the hostages, Mr. Thomas Ahern, and allegations that I might have been involved in delaying the release of the hostages, including Mr. Ahern, are particularly repugnant to me personally.

- 5 **-**

9. QUESTION: Do you have any knowledge of any sales (both official and unofficial), transshipments, or other transfers of any American-made military equipment or spare parts to Iran directly from the United States or from Israel or any other third party countries or intermediaries during the period September 1, 1980 to December 21, 1981 (inclusive)? If yes, please describe such knowledge and provide any documents in your possession referring or relating to such knowledge.

ANSWER: I have no knowledge whatsoever of any sales, transshipments or transfers of any American-made military equipment to Iran directly or via Israel or any other third party countries during the period covered by this question.

This concludes my formal answers. In conclusion, may I reiterate my pleasure at being able to set the record straight and to state my hope that your investigation can come to a quick and definitive conclusion. It is my belief that the entire "October Surprise" story is false and based on testimony of witnesses of highly dubious credibility.

Yours very truly,

Doubld 1. gragg

Ambassador

REPUBLIC OF KOREA

SPECIAL CITY OF SEOUL

EMBASSY OF THE

UNITED STATES OF AMERICA)

S. S.

Subscribed and sworn to before me, Consul of the United States of America at Secul, Korea, duly commissioned and qualified

this day of JUN 26 1992

Helen M. Collings American Consul

## Letter From John A. Mintz Containing President Reagan's Response to the Questions Posed by Senators Sanford and Jeffords, August 26, 1992

GIBSON, DUNN & CRUTCHER

LAWYERS

WASHINGTON. D.C. 20036-5306

(202) 985-8800 TELEX: 803501 GISTRASI WEN FACSIMILE: (202) 467-0539

August 26, 1992

HAND DELIVERY

H 75256-00006

Honorable Terry Sanford, Chairman Honorable James M. Jeffords, Ranking Minority Member Subcommittee on Near Eastern and South Asian Affairs Committee on Foreign Relations United States Senate Washington, D.C. 20510-6225

Dear Senator Sanford and Senator Jeffords:

Your July 22, 1992 letter submitted ten numbered questions which have been discussed with former President Ronald. Reagan. He has advised that he has no recollection or other information relevant to the issues raised in any of your. questions.

Sincerely,

John A. Mintz

JAM/jtf Reid H. Weingarten, Esq., Special Counsel

WL922380.022

## 11. Richard Allen's October 15, 1980 "ABC XYZ" Memo

\*\*RICHARD V. AILEN

SENSITIVE AND CONFIDENTIAL

October 3, 1980

MEMORANDUM FOR GOVERNOR REAGAN

BILL CASEY ED MEESE DICK WIRTHLIN

FROM:

DICK ALLEN

This morning at 10:40 I had a call from an unimpeachable source who has received information directly from ABC XYZ.

ABC XYZ has said that the last week of October is the likely time for the hostages to be released. He further told the source that this could come "at any moment, as a bolt out of the blue." To his certain knowledge, "the Iranians want to liquidate the crisis," and do not feel that they must wait for any "particular initiative from the United States."

Bani Sadr has been strengthened in recent weeks, particularly as a result of the conduct of the war. ABC XYZ called the sources attention to the story printed in today's New York Times on page A-14 ("Iranians Said to Want Captives Free") in which Bani Sadr is quoted directly as wanting "to send the hostages home immediately, thus erasing what he regards as the biggest single blot on the record of Islamic Iran."

Regarding the matter of spare parts in exchange for the hostages, ABC XYZ indicated that the Administration had declared publicly and privately that if the hostage matter could be resolved, "we are prepared to listen to any type of relationship they may want, ranging from economic aid to the sale of military spares." He added however, that there was no question of selling the spares prior to the release of the hostages.

The source asked him if Iran is able to get spares clandestinely, and ABC XYZ responded that a limited amount of equipment is available on the open market including "shock absorbers, batteries, pressure gages, vacuum gages and other flight instruments, all the way up to parts for F-4 Phantom jets." However, there are "no significant quantities available," which ABC XYZ indicates would mean that there are "not enough to affect the outcome of the war."

When asked about the prospect for resolution of the hostage crisis, ABC XYZ said that "more and more speeches are coming out of Iran that Iran is being held hostage by this whole crisis, and not the hostages themselves." In other words, he indicated that the Administration feels that some sort of "reality" is creeping into the Iranian leadership at

SENSITIVE AND CONFIDENTIAL

this point." When asked by the source whether the source should prepare to cover the prospect of release on a daily basis, ABC XYZ said, "No, you are probably safe for this week and maybe even next week. Surprises could happen at the end of the month."

This is main-line information. We are preparing to assess it, and will attempt to keep you posted on a moment's notice of any changes. We will have to be quite attentive to the "bolt out of the blue" aspect.

## 12. Materials Submitted by Mrs. Sophia Casey

Transition period of Ronald Reagan's

Presidency, by Bill Casey, Dick Allen
and Fred Pole, Seerely disproves

that any 'deals' was made by

Bill Casey, to the Pranians for

the release of the Hostages.

September 1644

Saphia Casey

## SENSITIVE

#### OFFICE OF THE PRESIDENT FLECT

WASHINGTON DC 20270 December 29, 1980

To.

Richard V. Allen and William Casev .

From.

Fred C. Ikle

Subject: Policy towards the Iranian Hostage Situation

- 1. Certain decisions are required soon, preferably before the Inauguration, to protect President Reagan and his Administration from becoming unnecessarily damaged, or handicapped, by the Iranian hostage problem.
- 2. The change in Administration offers a good opportunity to make a clean break with the negative aspects of past policy. In particular, it should be possible to move away from the drawn-out haggling about the conditions the United States is asked to meet to obtain the release of its diplomats held castive in flagrant violation of international law and practices.
- At this time it is unclear how and when the hostages can be freed on terms consistent with our larger national interests. n particular, it seems doubtful whether a prolongation of current negotiating approach will meet with success te apart from the fact that it violates the principle of egotiating on terrorist demands). Yet, the following ... ves seem clear:
  - 1.33 gime in Iran must not be permitted to control the or stige of the United States President. Hence, the President should be disassociated from the nostage publem as much as possible. Indeed, it seems likely that some of the influential forces in Iran would precisely want to numiliate President Reagan, as they have humiliated President Carter.
  - The hostage problem should not divert the time and energies — the Reagan Administration from the many foreign policy issues that have more farreaching consequences for American lives and for our national security.
  - U.S. policy toward Iran must not be governed exclusively by the hostage situation.

- 4. For the above reasons the hostage situation should be tightly controlled and isolated within the Reagan Administration. The following organizational step would go a long way to accomplish these objectives. It could well be decided on before the Inauguration, to be effective on January 21.
  - (a) The President designates a special official to control all aspects of the hostage problem in his behalf. This official should probably have some other visible responsibility. He might, for example, be an Ambassador-at-Large and report to the President through the Secretary of State. (It has happened before that a President-elect has designated a senior State Department official prior to the confirmation of the Secretary of State.)
  - (b) The designated official (or his subordinates) will handle all contacts with the media and Congress. He will seek minimum visibility and generally avoid publicity about his duties relating to the hostage problem. All inquiries to the White House, State Department, etc. will be referred to this official.
  - (c) To the extent that the President and other senior officials cannot avoid commenting on the hostage situation, they should indicate that it is undescrable to reveal U.S. plans and policy (beyond specific policy positions that may have been announced).
- 5. It may seem desirable to use the hostage issue to demonstrate the resolve of the Reagan Administration and to restore respect for the United States. Of course, the humiliating and selfdefeating tactics of the past ought to be discontinued. But before launching major initiatives on the hostage situation three questions must be addressed:
  - (a) A realistic and careful assessment of the risk that the initiatives might result in a major foreign policy failure, severely impairing the Reagan Administration's standing abroad and its support at home (thus handing the Iranians a triumph over President Reagan).
  - (b) Reasonable assurance that the President could be protected from the possibility that the initiatives -- while resulting neither in success nor a major failure -- would commit him to "solve" the hostage problem and perpetuate its high visibility (thus restoring to the Iranians their leverage over the U.S. President).
  - for assessment of the risk that the injitiatives might trigger other developments, more camaging to our security and threatening greater loss of American lives (for example, the outstitution of a pro-Soviet regime in Irani or Iranian attacks on Kuwait, perhaps with Soviet backing.

- 3 -

## SENSITIVE/SECRET

## Applying Effective Pressure on Iran

It appears that the freeing of the hostages has been made more difficult by the continuing power struggle in Irah. In putting pressure on the Iranians to back whatever negotiating option we chose, it should be our aim

- either to change the motivation or to reduce the political influence of those who now oppose the release of the hostages; and
- -- either to reinforce the motivation or to strengthen the political influence of those who now <u>favor</u> the release.

The current embargo and freeing of Iranian assets seems to have had some effect, but not enough to tip the balance. Clearly, the Carter Administration has not exercised all the means available to the United States for applying pressure on Iran.

An in depth evaluation of the following options should be completed soon, to arrive at a recommended combination of measures:

(1) Order all U.S. citizens to leave Iran --

This measure is a precautionary precursor for the milder options below, an essential precursor for the stronger options. It might be well to include it in the first two weeks after the Inauguration.

- (2) Seek to Tighten the Economic Embargo Against Iran --
  - We might be able to prevail on Allied and friendly governments to increase the embargo coverage and to bighten its application. See Tab A.
- 3) Try to Induce Allied and Friendly Governments to Order their Nationals to Leave Iran

The success of this option is somewnat doubtful. Many allies may refuse. Moreover, if all the foreigners from Free World countries left Iran, the influence of the Soviet Union could increase.

4) Declare a State of Belligerency --

This action could be taken by the President and would have certain, potentially useful, legal consequences. See Tab 8.

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## The Question of Toppling Iran's Regime

Some of the above options might destabilize the already shaky political structure in Iran. In addition, it might be possible to implement a program that has been designed to topple the present regime. The ultimate success of such an effort, however, may be hard to predict. It could result in a change of regime more friendly towards the U.S., resulting in the release of the hostages and -- ultimately more important -- better U.S.-Iranian relations. Or the "destabilizing" might bring into power a group beholden to the Soviet Union. See Tab F (special handling)

Ultimately we must be careful not to put the cart before the horse on this question. A change in regime in Iran --either to a more pro U.S. government or to one beholden to the Soviets -- would transend in importance the hostage problem.

## Other Policy Options "

- (1) Another rescue attempt. At this time the likely losses from such a move seem to outweigh the likely gains. See Tab G.
- (2) Demonstrating the Resolve of the Reagan Administration

It may seem desirable to use the hostage issue to demonstrate our resolve and to restore respect for the United States. But before launching initiative just for this purpose three questions must be answered.

- (a) A realistic and careful assessment of the risk that the initiatives might result in a major foreign policy failure, severely impairing the Reagan Administration's standing abroad and its support at home (thus handing the Iranians a triumph over President Reagan).
- (b) Reasonable assurance that the President could be protected from the possibility that the initiatives -- while resulting neither in success nor a major failure -- would commit him to "solve" the hostage problem and perpetuate its high visibility (thus restoring to the Iranians their leverage over the U.S. President).
- (c) An assessment of the risk that the initiatives might trigger other developments, more damaging to our security and trreatening greater loss of American lives (for example, the substitution of a pro-Soviet regime in Iran; or Iranian attacks on Kuwait, perhaps with Soviet backing).

## OFFICE OF THE PRESIDENT-ELECT

WASHINGTON, DC 20270

## SENSITIVE/SECRET

January 6, 1981

## **MEMORANDUM**

TO:

Richard V. Allen

FROM:

Fred C. Ikle

SUBJECT: Policy Towards the Iranian Hostage Situation

## Basic Principles

The transition from the Carter Administration to the Reagan Administration provides a rare opportunity to discard the harmful aspects of past U.S. policy towards the hostage problem and to start on a new track. It is essential that our new policy meet four requirements:

- The President's prestige must be protected from becoming camaged by the hostage situation. In particular, the Iranians must be denied the leverage on the American Presidency that they have managed to acquire during the Carter Administration.
- 2. United States, policy toward the vital area of the Persian Gulf must not become unnecessarily handicapped by the hostage problem. (Although a certain handicap is inevitable.) U.S. policy must retain the freedom of action to cope with the larger dangers in the region that are potentially more damaging to our security and could cause far greater loss of American lives.
- The Iranian hostage problem must not be permitted to divert the time and energies of the Reagan Administration from the many foreign policy issues that have more farreaching consequences for our national security and for the safety of Americans.

#### Organizational Steps Needed

It is not necessary that our entire policy for freeing the nostages be in place immediately. Developments over the next few months may bring new opportunities. However, in order to protect the President's prestige and to deny the Iranians leverage over the Reagan Presidency, the management of the hostage situation has to

SENSITIVE SECRET

## SENSITIVE/SECRET

be brought under tight control right away, during the first few days after the Inauguration. This control mechanism must insulate the President from the step by step developments and deny Tehran, as much as possible, opportunities for engaging the President in an exchange of messages, proposals, threats, etc. To this end:

- Responsibility for all aspects of the hostage situation should be visibly delegated to an official at sub-cabinet level or below (for example, an Ambassador at Large) with only a supervisory role and strategic guidance reserved for the President (and the NSC).
- All media inquiries, Congressional contacts and interagency relations should be delegated or referred to this official. The official will seek minimum visibility and avoid publicity.
- The President --" and his immediate spokesmen -- should become visibly engaged only if the nation has to be informed of some truly major, new development, or to lend his weight and prestige to a specific ultimatum.
- The yo-yo of hopes and disappointments, fueled by Iranian news manipulation, must not be reinforced by background comments or answers in press briefings by anyone in the Administration.

## Approach to Negotiations

Also fairly soon (say within two weeks after the Inauguration) a position will have to be taken on the negotiations with Tehran that have been under way for the last few months. The demeaning haggling about ransom-like arrangements should not be continued.

Several alternative options are open:

- Present secretly to the Iranians the last position of the Carter Administration as a non-negotiable final offer, which will expire in 30 days.
- Declare the Carter Administration offer as expired, reiterate the points made by Governor Reagan on September 13, stressing the proviso for safe return of the hostages as prior condition for negotiating details about Iranian claims and complaints.
- Remain silent on all aspects of Iranian claims and demands and take no position on negotiations (keeping the Iranians quessing).

SENSITIVE/SECRET

Policy towards the Iranian Hostage -Situation Page three

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## 6. Specific Options for New Initiatives

The following options require further evaluation in light of the above questions. Also, the possible risk for the welfare of the hostages must be considered.

- (a) Continue low-key talks (through Algerians) on release of hostages. This could be handled by the President's specially designated official (4 above).
- (b) Press allies and friendly nations to re-tighten the embargo against Iran.
- (c) Break off negotiations in all chanells, combined with a restatement of President Reagan's position regarding the Iranian assets and claims, etc. Assert the principle of not negotiating with terrorists.
- (d) Ask all U.S. citizens to stay out of Iran (This option could be combined with any of the other options and seems essential for any of the options below).
- (e) Build up pressures on the government in Iran through "political action". See separate follow-up memo.
- (f) Declare a "state of belligerency". This could be done by the President and would have certain, potentially useful, legal consequences in the United States. See separate follow-up memo.

  An extension of this option would be to deny the Iranians access to the United Nations in New York. This step, too, has various legal implications.
- (c) Military action against Iran
  - to inflict damage
  - to seize territory
  - to seize "counter hostages"

This option sharply raises the question of political costs and potential failure. What is the expected result after the military action has been taken? Can the military action be sustained or repeated?

(r) Attempt another rescue mission.

# Reagan & Bush

## Reagan Bush Committee

90! South Highland Street, Arlington, Virginia 22204 (703) 655-3400

MEMORANDUM TO: GOVERNOR REAGAN

November 2, 1980

ED MEESE

FROM: BILL CASEY

I am sending you a memorandum prepared for me by Charlie Brower, Chief Legal Advisor at the State Department when I was there. It is on the costs and methods of meeting Tranian conditions for the release of the hostages.

In a nutshell, it concludes that Carter could assert legal authority to return Iranian assets free of attachments and terminate suits and claims against Iran. This would be done under the Presidential constitutional power to conduct foreign policy, but would give all those suffering loss from this process the right to claim compensation from the United States Government. They would have to collect by some Congressionally enacted claims procedure or by suit in the Court of Claims whose judgments Congress has always honored.

In short, such a deal would amount to the deferred payment of ransom of an undetermined amount which would certainly run into several billions. As to the Shah's assets, Carter could do what Rocsevelt did in recognizing the Soviet Union in 1933, namely, take an assignment from Iran of its claimed rights against the Shah, collect on these claims and turn the proceeds over to the Iranians. This could put the United States in the ungraceful picture of undertaking to locate and collect on the Shah's assets for the benefit of Iran. So, while this might be doable, the political cost would be enormous. I therefore expect Carter to project a show of strength and protect the dignity and honor of the United States by rejecting these demands as outrageous.

I believe he will be widely perceived as having engaged in a desperate last attempt to manipulate the hostages again for political benefit and to have once more bungled it. If this analysis is correct, we should say very little and leave it that way.

## Costs and Methods of Meeting Four Iranian Conditions for Release of Hostages

Summary: The President can substantially meet the four conditions, but at a probable cost of some billions of dollars.

## 1. Unfreezing (and return) of Iranian Assets.

## A. Assets Outside U.S.

By simply lifting the present freeze the President would very likely make available to Iran significant frozen assets located abroad (principally in London and Paris branches of American banks). The total of such assets is estimated at \$4-6 billion. However, the banks have made setoffs of Iranian debts to them in unknown amounts against those deposits pursuant to authority contained in the freeze regulations. The guess is that some significant amount of frozen assets located abroad would be thus available to Iran immediately upon lifting the freeze.

## B. Assets in U.S.

Frozen assets located in the U.S. are virtually entirely subject to attachments. Therefore, the question is whether or not the President can by executive action alone void those attachments in addition to lifting the freeze and, if so, at what cost. The following scenario is the one most generally agreed to be possible and begally supportable:

The President issues an Executive Order which, in addition to lifting the freeze, expressly dissolves all pending attachments and orders banks and other holders of Iranian property to immediately return to Iran all of the approximately \$4-6 billion in frozen property. This property is not subject to setoffs, as the freeze regulations have permitted such action only abroad. (If the President wished to take more limited action, he could somewhat more easily free approximately \$2 ballion worth of Iranian gold and other deposits held at the Federal Reserve Bank of New York and elsewhere in the hands of U.S. governmental authorities.)

The above action would be taken pursuant to:

- (i) Constitutional authority of the President as
  Chief Executive responsible for the conduct of foreign
  relations:
- (ii) the International Emergency Economic Powers
  Act of 1977, which was the statutory basis for the
  freeze order and provides wide ranging authority for
  the President to act in an emercency; and
- (iii) the Hostage Act enacted shortly after the Civil War, which has never been tested but appears to grant the President authority to take all necessary measures to achieve the freedom of American hostages taken abroad.
  - C. Compensation to U.S. Claimants for Returned Assets.

As stated below, the U.S. Constitution requires that U.S. claimants deprived by the President's action of their ability to recover against Iran be compensated, which requires

congressional action and would amount potentially to billions
of dollars.

## -2. American Claims against Iran.

One needs to distinguish between strictly government claims and private claims (including those which the government might assert on behalf of the hostages and their families):

## A. Strictly Government Claims.

The President has the legal authority alone, on the bases cited above, to relinquish any claims which the U.S. Government might assert against Iran on its own behalf. The amount of such potential claims would be many millions of dollars, including the damages to our Embassy and Consulate in Iran, cost of military forces relating to the crisis, etc.

## B. Private Claims.

The President equally has the legal authority alone, likwise on the bases cited above, to cause the U.S. Government to take over all private claims against Iran (including those which might be asserted by the hostages and their families) and then settle those claims for nothing by releasing them in return for the hostages.

## C. Compensation.

However, the cost to the U.S. Government of surrendering those claims could amount to billions of dollars. It is generally understood that upwards of \$3 billion of private claims, excluding those of the hostages and their families, have already been asserted in nearly 300 lawsuits

against Iran in our courts. To the extent the President surrenders American claims against Iran (or by dissolving attachments and returning Iranian assets deprives claimants of their ability to recover) claimants may seek to hold the government liable under the constitutional provisions requiring compensation for the taking of citizens' property by the U.S. Government for a public purpose. For this reason it would seem likely that the President, in announing that he is meeting the Iranian conditions for the release of the hostages, would state he will be submitting legislation to Congress to provide for the payment of such claims. If he does not do this, the usual scenario would be that claimants unable to collect from Iran by virtue of the President's action would sue the U.S. in the Court of Claims and Congress would appropriate money for the payment of any resulting judgments.

## 3. Return of the Shah's Wealth.

Since no one has been able to define exactly the extent or whereabouts of the Shah's wealth, this condition appears rather difficult to meet. Absent an appropriation from Congress, the President would hardly be in a position to pay vast sums for this purpose. A possible alternative would be for Iran to assign all its claimed rights to the Shah's money to the U.S. in return for the U.S.' agreement to remit to Iran any funds it collects pursuant to such assignment. Such an agreement requires U.S. courts to recognize Iranian expropriation of the Shah's property.



## Reagan Bush Committee

56 South Hagraght Street, Asia (2006) Virginia 22204. Tutto 85 (2400)

## COMPIDENTIAL

MEMORANDUM FOR:

ED MEESE

FROM:

STEF HALPER SAL

DATE:

10-19-80

SUBJECT:

THE HOSTAGE QUESTION

As requested, several of its out our heads together on this. The following reflects input 'from Revin Hopkins, Frank Hodsoll, and Bill Dirlam and from Dr. Ray Cline, General Brent Scoworoft and John Lehman on the outside.

#### PRESENT SITUATION

News reports today and yesterday indicate: 1) The Tranians believe the U.S. has already <u>apploprized</u> to Tran for its activities there during the Shah's reign (a key precondition to resolution): 2) the removal of the U.S. AWAC's systems from Saudi Arabia would be an important demonstration of goodwill; 3) that the Majlis (parliament) would soon set out the conditions for release. There was also a message of hope to the hostage families from Iran to the effect that the ordeal wouldn't last much longer.

Under the category of significant, but unconfirmed reports, we have the following:

- The Trassury has been working out the procedures for freeing fran's issets.
- 2) A U.S. Air Force/Navy analysis has determined the types of spare parts most likely needed by Iran. These materials are standing-by at McGuire AFB in New Jersey.
- 3) A third party, a private corporation, has been dealing with both the U.S. and the Iranians on the issue of spare parts.
- 4) Prime Minister Rajai's public comments in New York City were a smokescreen. While we understand he spoke with Warren Christopher, the Undersecretary of State, the actual negotiation on conditions for release and U.S. concessions was carried on between Thristopher and B representatives of Bani-Sadr who are with the Tranian Bank of Markazi. These 3 (Rashidzadeh, Ali Yasseri, Ali Manazirad) were attached to the Tranian IMF mission which met in New York and Washington about ten days ago.

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## IRANIAN OBJECTIVES

The Iranians know that the race is very close and that Carter will be susceptible to pressure in the next two weeks, perhans more so than in the past month. Their objectives are:

(RR and Carter -- Unfreeze Tranian assets now held in has acreed to the U.S. these) Cancel any and all claims against Iran. Promise by U.S. of non-intervention in Iran's internal affairs. Matter for courts -- Return Shah's assets. Public demand -- Remove AWAC's from Saudi Arabia. Private demand --م : . . . . Resupply Iranian forces. .. -- Economic assistance. Private demand -- US/USSR guarantee of sovereignty of Private demand Iranian territory.

Private demand -- Peace-keeping force to sustain cease fire.

The first four objectives have been publicly aired. Both Reagan and Carter have responded. The remaining five, we are told, have been raised in discussions between the two sides.

√ The Iranians will attempt to get written commitments on as many of these as possible before the election, seeking to bind whoever is elected after November 4th. This view is buttressed by, among other things, a statement by Rajai today that "The American government also has special problems in respect to the elections, indicating they are ready to cooperate and meet the conditions that will be get."

The negotiations will conclude when the Iranians feel they have reached the point at which the cost of further delay is greater than the benefits to be expected from additional concessions. This will depend upon: 1) the events in the Iran-Iraq War, as they relate to Iran's ability to continue fighting; 2) the perceived firmness of Carter's negotiating posture; and 3) the prospect of Reagan's election.

#### POLITICAL RESPONSE: PRE RELEASE

It is recommended that beginning now, up to the time the hostages are released, Governor Reagan's posture be to emphasize the following: 1) note that there are increasing signs that the hostages' release may be imminent. Greet this news cautiously,

but favorably. Ronald Reagan should express his hopes and prayers that the hostages will be coming home soon, even if it is the day before the election. 2) Insist, though, that the U.S. not complete any deals or trades until all our people are home, and the conditions are made public. Add that we must be mindful of the long-range consequences of any arrangement we make.

This pre-release posture serves to heighten the expectations of the hostages' release. This has two effects: 1) if the hostages are actually released, it does not come as such a surprise. By generating the expectation that this will occur, we could dull somewhat the outpouring of enthusiasm to be expected from the hostages' return. 2) If the hostages are not released before the election, Carter faces a heightened credibility problem because of the greater expectation of their release.

## RELEASE SCENARIOS

There are 7 possible release scenarios considered here:

1) No sublic agreement before election.

1

- Iran pleages release before election: U.S. agrees to spare parts exchange.
- 3) Iran pleages release after election; U.S. agrees to parts exchange.
- 4) Iran agrees to partial release before election and rest after; U.S. agrees to match release with parts.
- 5) U.S. and Iran announce total agreement. All hostages are released (except the four who will stand trial) to Switzerland on October 29th and arrive in U.S.A. on November 2nd.
- U.S. and Iran agree to gradual release matched by concessions.
- 7) Total release of hostages, they arrive home first, and then the trade is initiated.

## POLITICAL RESPONSE: RELEASE SCENARIOS

No Public Agreement. This is essentially a continuation of the pre-release phase. Throughout much of this time, RR should continue the line suggested earlier. As election day cones closer, RR could add a statement that he hopes Carter's actions aren't another attempt to raise expectations beyond what is justified. Within the last few days, surrogates should start pointing out how the hostages have been over there for almost a year, and that even if we get them home soon, Carter's policy has still failed because of the

indignity and suffering inflicted on the hostages and their families. They should say Carter, should not get credit for remedying a situation that should been resolved long ago.

Iran pledges release before election; U.S. agrees to parts exchange. Ronald Reagan's tone should be supportive and congratulatory, but cautious. Having expressed relief that the hostages will come home at last, his note of caution should contain the following elements: all the terms of the agreement must be made public; warn that the piecemeal supply of parts could commit us to one side—the result could be an oil cut-off from the other side. The implications of the wrong agreement could be more serious than the Vietnam War in the mid and long term.

If the hostages don't arrive on U.S. soil before the election, we can label the deal a failure. If they do arrive in time, we express relief but wonder if Carter gave away the store.

- Iran pledges release after the election; U.S. agrees to parts exchange. First reaction is relief. If parts are provided before the hostages arrive, we should wonder aloud what kind of an agreement it is that the U.S. makes all the concessions and still doesn't have its people home. Then we should express the hope that Carter hasn't entered into an endless process in which we keep supplying the Iranian war effort (with all that implies) and yet don't get our people back. Surrogates should begin demanding that Carter tell the American people when our people are coming home and criticize him for not getting our people home before we carried out our part of the bargain. As the election draws near surrogates and finally Reagan should label this a failure.
- Tran agrees to partial release before election, the rest later: U.S. agrees to match people for parts, group for group. First reaction is relief. Reagan should join the euphoria, particularly when the first group arrives. But, we should express caution. As in preceeding scenarios: Reagan should insist the deal made public; worn about being drawn into a war that could end with an oil cut-off; wonder aloud how long this could be drawn out; point out this is the first time the U.S. has been blackmailed on such a grand scale—can we expect more of this in the future? As we approach election day, decry the humiliation of our position and graphic, poignant illustration of the failure of the Carter presidency.

5) U.S. and Iran announce total agreement. All hostages are released (except 4, said to be CIA, who will stand trial) to Switzerland. They arrive Geneva on October 28 and in U.S.A. on November 2. First reaction relief and congratulations to the hostages' families. At the same time, Reagan should express deep sorrow that the administration made an arrangement that left four loyal Americans in the hands of terrorists—probably to face life imprisonment or death. As the election approaches, we should decry the political expediency, the slick nature of the deal. Call it a humiliation before the eyes of the world brought on America by a desperate politician.

We might want to consider meeting with a few of the returned hostages if it can be arranged.

6) U.S. and Iran agree to release matched by parts. Process to begin after election. Reagan should express relief and then demand that details be made public. Express the hope that this is not simply another example of the Wisconsin syndrome--list Carter hypes before important primaries.

As November 4 nears, label it a failure. If he can't get them out when it's so important to his election, what makes anyone think he can do so later.

7) Total release of hostages. They arrive home first and then trade/concession initiated. For the first few days, Reagan should be thankful and express relief that hostages are home. Gradually, he should shift away from the issue, concentrate on economics, and emphasize comparisons there. Gradually, surrogates should start raising questions about why Carter waited so long to get the hostages back.

## SUMMARY

There are, undoubtedly, scenarios that are not addressed here. Of the ones we have covered, the following can be said:

- In virtually all scenarios, we respond positively in the first two to three days.
- 2) Any movement on this issue will pre-empt the debate results--should the hostages come home on the 28th or later.

- 3) Because of Carter's established pattern of springing "good news" on the eve of an election—the Wisconsin syndrome—we should expect something like this to happen in the October 31 to November 3 period and warn people accordingly.
- 4) We must be prepared for Carter to use the line "I've got a deal all set. If Reagan comes in, it's off."

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WJC - Personal Material
Pre-Election (Personnel)
IRAN: Citizen Input and OPE Memos.'
INTELLIGENCE: Advice from Citizens

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DRAFT -10/27/80

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For almost a year now I have been deeply concerned with the fate of our hostages in Iran. I have give considerable thought to what could be done to restore their freedom. The responsibility to take the steps necessary to achieve that belongs to the President. Nobody else can be sure he has the information and the means which that task requires, nor can anyone else be sure what he might do or suggest might not be counterproductive and interfere with the proper application of our national resources to that task. Accordingly, I have refrained from making any public comments in this campaign. In order to be supportive of your efforts I have stated publicly that if I find the proposal which came from Iran several weeks ago acceptable, I would implement any commitment you made with respect to those proposals and made it clear to the Tranians that it would not be advantageous to them to defer the release of the hostages in the hope of getting better terms from a new administration.

Several days ago, in response to a question, I said
I had thought about what might be done to secure the release
of the hostages and I had a few ideas. As he repeatedly
has during this campaign, Mr. Carter elevated my few ideas
to the status of a secret plan. This is not the occasion
for me to comment further on the tactics to which President

Carter has resorted during the campaign, but I do want to transmit my thoughts private to President Carter and his colleagues in the National Security Council for whatever constructive purposes they may serve.

I hope that Iran will see it to be in its interest to release the hostages before the election when they are likely to perceive that they have maximum bargaining power. I will be ready to cooperate in this in any way I can, as indeed I already have by making it clear to the Iranians that it would not get better terms in the next administration.

If the election passes without their having committed to release the hostages, then I think that the U.S. should organize and build along with other nations having a stake in drawing the line against criminal acts aimed at the destruction of a stable international community measured and graduated pressure on Iran to isolate them politically, psychologically and economically. The progression of diplomatic actions taken against Iran must be seen by Khomeni and the mullahs as a pattern of increasing costs -- which if continued will prevent them from meeting their needs. This pressure should come from a wide source and must be continuous, spaced and calibrated.

To be more concrete about this, let me suggest the kind of steps I am referring to, some of which you are likely to have already considered or tried:

- 1. Request other countries to cooperate to:
- . withdraw ambassadors from Tehran and/or reduce diplomatic staffing
- . issue new strongly worded statements individually and in concert.
- . Stop or at least slow down spare parts shipments for military, oil industry and transportation systems
- . Cut back 10% on oil purchases from Iran. This should be supplemented by American action to:
- Extend embargo to include good and medical supplies, take strong action to prevent trans-shipment of U.S. goods and materials to Iran through third parties and international brokers, request legislation enabling American businessmen and the U.S. Import-Export Bank to sue and collect judgments against Iranian assets without prolonged litigation and in conjunction with our allies, make it difficult for Iran to move funds internationally.

A second phase might include consideration of steps like these:

Restrict extension of new credits to Iran, further cut back of oil purchases, reduce other nationals working in Iran.

While these steps are being orchestrated, contacts with Khomeni and the Mullahs close to him should, of course,

continue. I hope that diplomatic efforts are being made through Third World and Moslem leaders and through Iran's trading partners expressing the concerns that the U.S. and its allies are determined and will force them to seize all trade through economic snactions or possibly a naval blockade. I want to make it clear that I believe it should be possible to secure the release of the hostages through the diplomatic and economic means but we should never release the Iranian leaders of anxiety that more forceful steps could become necessary.

Also, the reactivation of the U.N. commission might be considered at this point. Waldheim and the U.N. Commission have put some distance between themselves and the U.S. and might after a few weeks of a reinvigorated escalation of economic and diplomatic pressure go to Iran to personally mediate because of "a clear threat to the peace" and the fear that the U.S. and its allies just might take the next step of guasi-military action.

In summary, it seems to me that the actions we have thus far taken have not now been properly measured, spaced and integrated into a coherent strategy or concerted with other nations having the same stake that we have in eliminating the incentives to seize diplomatic personnel or engage in other terroristic action.

### WHY NOT UNTIL NOW?

Even one casually aware of politics in Iran and the craftiness of the Ayatollah and the way the American Presidency. is being politicized, should not be surprised if the hostages are released in time to boost Jimmy Carter's bid for reelection.

What is not so clear is whether Jimmy Carter is using the hostages politically again or whether Khomeni is trying to cast the wery first vote in the November 4 election.

Khomeni certainly knows that he can get away with humiliating, extorting and intimidating Jimmy Carter more than any other president of the United States in this century would have allowed. Now he knows he has leveraged Carter into such a vulnerable position he can get a much sweeter ransom—paid at the expense of deepening American's involvement and further weakening its position in the critical Persion Gulf.

Jimmy Carter knows that the voters have rejected his record, so to perpetuate himself in office he must have the Ayatollah's help.

For several months, Carter was able to play the hostages with nothing more than some Rafshoon/Jordan sleight-of-hand maneuvers. The rise and fall of hope for the release of the hostages exactly coincides with Carter's standings in the polls and the landmark primaries throughout the campaign yyear. You could almost tell how nervous Jimmy Carter was

by the number of days before the primary he would make a public statement creating some new hope about the release of the hostages or how far he would stretch his implication that the end was near.

IOWA--A "must win" show of early strength was preceded by one day with this hostage maneuver: "...my belief is that many of the responsible officials in Iran now see that this major threat to Iran's security and the peace of Iran is becoming paramount and that there will be an additional effort on their part to secure the release of the hostages.

MAINE--Threatened by Ted Kennedy in the crucial New England domino primaries, Carter issued this hopeful statement on the hostages two days before the vote: "I hope that we will see some light at the end of the tunnel before too long."

Four days prior to the Maine caucuses he had agreed to delay sanctions against Iran. He won the caucuses on February 6 after a late rally of support.

NEW HAMPSHIRE--New Hampshire, the bellweather primary, was preceded by just two days by another statement reminding voters the fate of the hostages was in his hands: "I think progress is being made."

He was referring to the U.S. Commission's arrival in Tehran.

WISCONSIN--Carter had been told that if Wisconsin fell to Kennedy, Pennsylvania was sure to follow (it did anyway, narrowly). In a desperate attempt to recover, the White House resorted to one of the most unorthodox media manipulations of the Carter presidency. The night before the primary, Carter personally called every network anchorman to give them an advance notice of a statement he would issue the very morning of the primary: "This morning the President of Iran has announced the hostages' control would be transferred to the government of Iran, which we consider to be a positive step." Jimmy Carter went to the White House press room at 7:00 A.M. to get on the television screens of Wisconsin as the voters were leaving home for a day which would include their primary vote. The mostages remained captive but Jimmy Carter hyped his vote some ten points to defeat Teddy Kennedv.

Throughout the entire primary period Carter used the hostage situation to dodge a debate challenge with Ted Kennedy. He hid in the rose garden to manage the crisis.

After Wisconsin, Jimmy Carter standing for competence and leadership shrunk in the polls to the lowest level ever reached by any President. On March 15th, his Iranian hostage task force received a report from one of its consultants which read in part:

"As spring turns into summer, the psycholigical and physical strain on the hostages and their families will become greater. There will be whole-sale defections from our policy of "restraint" and this frustration will begin to show in the popularity polls. With this in mind, now is the time to scrap the policy of "watchful waiting" and assert our freedom to take ominous action to influence events and secure the release of the hostages."

In April came the tragic rescue effort which failed and cost the lives of 8 American soldiers. It was ineptly executed, in because Jimmy Carter spruned the assitance which the skilled and experienced Israelis offered both publicly and privately, in part because if it was a feasible operation, there would have been a better chance of success earlier when nights were longer and desert sand storms less prevalent.

Carter retreated after the raid failed. He said he could come out of the Rose Garden because the crisis was manageable. He said it was time for "quiet diplomacy" -- meaning he was utterly helpless.

However, by September he was back in trouble again in the polls. He attempted to recoup with his celebrated by discredited "mean" attacks.

When those attacks proved counter-productive, he went back to his one sure ace, the hostages. For weeks the press and public have been teased mercilessly with news breakthroughts and curious "leaks". The negotiations for the hostages' release was being done "in public" not through "quiet diplomacy". The see-saw news has been coincidental to Carter's gradual recovery in the polls.

Jimmy Carter's inept handling of the economy has left his grasping at straws . . . ready to accept a deal he essentially found unacceptable earlier. Why not until now . . . until the threshhold of the November 4 election? It is Jimmy Carter's only chance of winning.

### FINANCIAL ASPECTS OF TRANTAM PROBLEM

The four conditions established by Iran for the release of the American hostages are now known. The current exchanges of views regarding these conditions between the Iranian and American Governments have been conducted in total secrecy, as is appropriate. However, a review of the four conditions and applicable American legal principles provides a basis not only for analyzing the difficulties that would be involved should there be a temptation to accept the conditions without modification, but also for determining possible courses of action or agreement. Obviously, some of the conditions present more substantive problems than do others.

There would seem to be no difficulty at all for American acceptance of the condition that the U.S. Government pledge not to intervene in the internal affairs of the Islamic Republic of Iran. This has always been U.S. policy; Secretary Muskie has reiterated it to the Islamic Republic of Iran on specific occasions; and it could be easily formulated in a mutually acceptable document.

The problems relating to any return of the Shah's assets have been frequently and publicly aired, and there is some indication that the Iranian Government recognizes the inherent limitations on the powers of the United States to perform this undertaking. Even if any such assets were within the territory of the United States, the Government is without

power to seize them and simply hand them over to Iran. But it would seem feasible for the U.S. Government to offer its assistance to the Iranian authorities in executing foreign court judgments against such assets in accordance with U.S. law. Obviously, the U.S. Government is powerless to return the Shah's assets situated outside the United States.

As regards the demand that Iranian assets be unfrozen, while issuing a Presidential Order revoking the existing Executive Orders blocking Iranian assets could be easily done, the desired effect .-- putting all such assets at the disposal of the Islamic Republic of Iran -- is another matter. A mere unblocking order cannot abrogate the legal and constitutional rights of U.S. persons arising by reason of offsets and attachments already made. To protect themselves, Americans since last November have sought to enforce their claims in the only manner available and permitted by the Executive Order, that is, by offsetting claims against Iranian deposits and by bringing lawsuits against Iran in the U.S. courts. U.S. banks have offset billions of dollars worth of claims for moneys loaned to Iran against Iranian deposits placed in their London branches, as permitted by regulations issued under the President's Executive Order. The offsets effected by American banks mean that neither the loans made by such banks to Iran, nor the Iranian deposits with such banks, any longer exist. American creditors and suppliers, in furtherance of their lawsuits against Iran in U.S. courts, have for their part levied attachments in excess of 52 billion

on blocked Tranian assets in this country. Forcing private

American entities to undo offsets and requiring courts to vacate

attachments would, in the absence of adequate compensatory

measures, raise serious legal and constitutional difficulties

for the U.S. Government that would take many years of litigation

for resolve.

The demand that all claims by U.S. persons against Iran be cancelled or withdrawn is simply beyond the power of the U.S. Government to accomplish. These multi-billion dollar claims are not held by the Government itself, but by private American entities, and the U.S. constitution and laws prevent the expropriation of property rights without compensation.

U.S. Government currently having discussions on the four

Iranian conditions that any resolution of the crisis must take into consideration the billions of dollars of American claims against Iran, the offsets and attachments effected by Americans in respect of their claims, and the lawsuits brought by Iran in .:

England against American banks claiming more than \$3 billion in damages. Most importantly, the legal and constitutional rights of the American claimants cannot be ignored; neither can Iran's flagrant violation of international law and its repudiation of debts owed to Americans. Release of the blocked Iranian assets without recognition of the offsets and provision for settlement of the remaining claims of U.S. nationals against Iran which have been supported by attachments, would amount to

confiscation forcing the American people to pay ransom to Tran in an amount estimated to exceed more than \$4 billion. The problems created by the financial claims by each side against the other are, nevertheless, a matter that is capable of settlement in a manner that would permit the prompt return of the hostages.

Accurate estimates of the value of the Iranian assets blocked by President Carter's Executive Order, located both within the United States and abroad, and the total amount of claims asserted by Americans against Iran, are not available. The Executive Order, however, explicitly stated that one of its purposes was to assure the availability of resources to satisfy lawful claims of U.S. nationals against Iran. Since Iran's blocked assets are estimated at upwards of \$10 billion, it would seem that even after settlement of financial claims there should be a substantial balance remaining that could be returned to Iran. In light of the current difficulties facing Iran, including its war with Iraq's stoppage of its oil exports and its deteriorating financial condition, arrangements to return this balance should provide more than a sufficient financial inducement for the return of the hostages.

There is constitutional and statutory authority, as well as precedent, for the establishment of an Iranian claims settlement program that would recognize the setoffs, provide for payment of proven claims of Americans against Iran out of blocked assets and require the return of excess assets to Iran.

But this is not necessarily the only program that could satisfy the claims and demands of both sides. Another possibility might provide for bringing current all obligations of Iran on its international debt, making mutually agreeable collateralization arrangements to secure the timely repayment of all other liquidated debt claims, and establishing a mechanism for the adjudication of the validity and amount of nonliquidated claims through a domestic claims settlement procedure.

In summary, While procuring a satisfactory resolution of the Iranian crisis will obviously prove difficult, it may be accomplished without infringing the legal and constitutional rights of American citizens. A settlement is feasible on the basis of a program providing for the simultaneous return of all hostages, termination of the extraordinarily expensive litigation which will likely be extremely protracted, recognition of setoffs or mutually satisfactory collateral security arrangements providing for payment of all liquidated debt claims, and the establishment of a U.S. claims settlement program to adjudicate and provide for payment of the balance of U.S. claims against Iran.

- 18 -

### HONORABLE ROBERT O. BENTLEY

Mr. President, I move that the 1980 Electoral College of the State of New York be adjourned.

#### PERMANENT PRESIDENT CASEY:

The Chair recognizes the Honorable Susan E. Davidson of Eric County.

### HONORABLE SUSAN E. DAVIDSON:

Mr. President, I second the motion to adjourn

#### PERMANENT PRESIDENT CASEY:

The motion has been made and seconded. All in favor signify by saying Aye. (Chorus of Ayes) Contrary? (None) The motion is carried.

Before we adjourn I ask that the members of this Electoral Collece rise and offer a silent prayer for the health and welfare of the 52 American hostages now imprisoned on foreign soil.

The Chair introduces Doctor Laman H. Bruner, Rector of St. Peter's Church, Albany, New York who will offer the Benediction.

BENEDICTION --- Dector LAMAN H. BRUNER, Jr.

### PERMANENT PRESIDENT CASEY:

Thank you, Doctor Bruner. Before declaring this 1980 Electoral College adjourned, I remind you that you have been invited by Governor Hugh L. Carey to a reception at the Executive Mansion. The Mansion is not within walking distance therefore, Secretary Paterson has made available to us transportation. The cars are located on the ramp in front of

My country of Know Cut on hosting a fathy month Tell following the mustan on the Sente Continue challenge next day

### By Bernadette Casey Smith

ILL SOMEONE PLEASE tell me who told Bill Casey of the diversion of funds from the dom fighters (the contras)?

My husband and I were staying at my parents' home in Virginia on Nov. 25, 1986, when then-Attorney General Edwin Meese came at dawn to give Dad the com-plete Iran-contra story that he had heard from Lt. Col. Oliver North. Meese had briefed President Ronald Reagan concerning these facts the evening before, and then-White House chief of staff Donald Regan called



Bernadette Casey Smith is the daughter of the late Central Intelligence Agency director William Casey. She lives in William Cases

for the first time the details of what is now called the Iran-contra story.

This summer we spoke with Ed Moese, who still This summer we spoke with Ed Messe, who said believes that Bill Casey did not have knowledge of the diversion of funds from the Iranian arms deals prior to his conversations with Regan and Meese on Nov. 24 and Nov. 25, 1986. The sale of arms to Iran was obviously known to the officials involved and was the subject of an official "finding" signed by Reagan. The diversion of the profits from the Iranian arms deals to the contras was a closely kept secret.

The only person who fingered Bill Casey as the mastermind behind the diversion was Oliver North and he did so only after Casey was dead. That was

approximately six months after North disclosed his involvement in the Irancontra affair to the attorney general at the time, he never mentioned Bill Casey — and six months after the early morning meeting, at which my father was shocked by the revelations presented by Meese.

To date no one else has spoken of an earlier disclosure to Casey.

It is my belief that Bill Casey honored the Boland amendment. He would not be involved in the diversion of funds because first and fore-



Casey in 1986. most, he was a lawyer with a deep respect for the law.

## 'First and foremost, he was a lawyer with a deep respect for the law.'

(3) and alerted my father to the situation.

My husband Owen Smith made coffee for them. Owen had been associated with my father for some 20 years before we were married, in his law firm, in politics, as a friend and confident. I am an only child who had a very close personal friendship with both my father and mother. My father was my perent and pal.

After that early morning meeting, it was, and is, my husband's and my firm belief that Bill Casey heard

During the recent confirmation hearings on Modert Gates' nomination to be Central Intelligence Agency director, a lot has been taken as fact by the senators concerning Bill Casey.

Granted, my father was a tough taskmaster. He wanted the CIA to be the best it could be and thought it was the best. He was a genius at asking the tough it was the best. He was a genius at assuing use tought questions. Bill Casey had a brilliant and open mind. His mind could be changed, but you had to have the facts to do it, not just wishful thinking.

Indeed, I believe it was the tough stance that the Reagan administration took towards the Soviet Union that pressured the world to change and gave all hu-manity the chance for greater freedoms. You see, the fall of communism was Bill Casey's

ultimate goal. Thanks, Dad.

## Newsday

VIEWPOINTS

NEWSDAY, THURSDAY, OCTOBER 10, 1991

ughter's Story: CIA's Cases

# 13. Letter From Prescott S. Bush to James A. Baker III, September 3, 1986, From the "Albosta Report," pp. 1611-1612

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BRY TORK E. T. 10008 September 3,1980

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Resen-Dush Committee

Fr. James Baker

Arlington, VA 22204

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I'll welt to hear from you if you would like to see Bath to discuss both of these matters.

best regards

13 Sinde

Iran in October because he said everything is a contingency types of action but would dony revelation of any of them at bostoge althation - called me yesterday afternoon. He says that he feels sure that if Besgan does not goof between now that is loose and fluid from day to day. The adminis-October, Carter vill sake a move on Iran. He cannot come tration would deny anything he said at this point. They and the election and is leading Certer by the middle of set now and say that Carter is going to do something on have several contingency plane which call for different herb Cohen - the gay that offered bely on the Iranian this point. Both coys, however, that if he and others in the administration who really gare about the country and cannot stand to wee Certer making s move to politicize the release of the hostages he and they vill come out at that time and empose him.

borb says the Carter people do not trust the State Deportment. propie, ecceding to Mark, who make policy are Man Jordan, ander provider and Monalyma, repeted with the President. Prodie is est of on the second tier but not on the Inner in that tince would know the ensure to a particular question and Mily Vance was still Secretary of State, Borb made a remark box efficer. They don't trust Makis alther. The saly

Both has a couple of reliable sources on the Patienel Socurity Council, about whom the administration does not know, who can teep his posted on developments.

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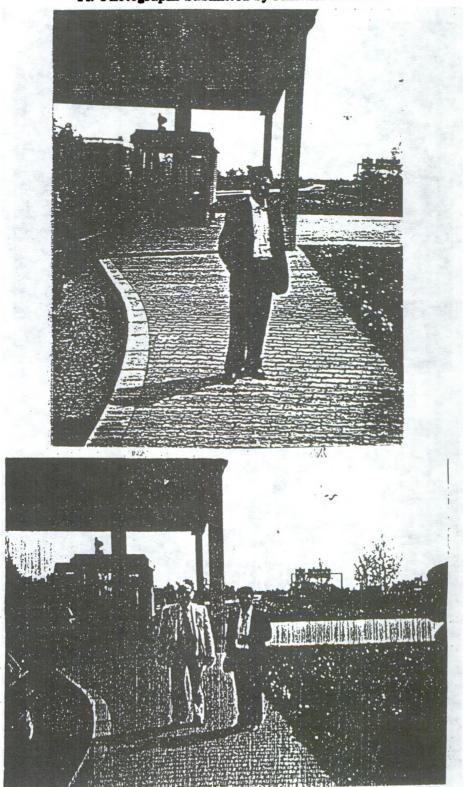
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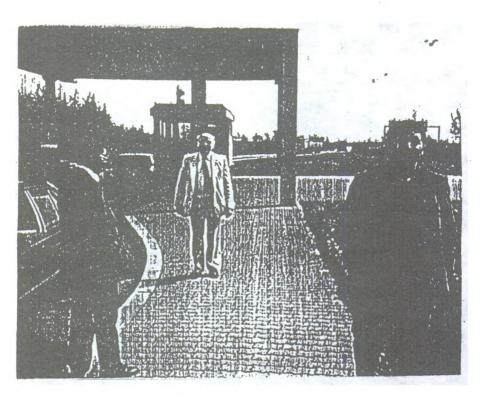
and to give political help in the form of assessment of problems indiappeaking solutions to them. He is a bright

guy and could be quite helpful, I think.

14. Photographs Submitted by Jamshid Hashemi







# 15. Excerpts From Madrid Hotel Tax Ledgers

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### 16. Whereabouts of William Casey. July 1980. (Generated by Investigation)

Tuesday 1st Wednesday 2nd Thursday 3rd Friday 4th EYC/London London/Paris London Meetings w/ Margaret Thatcher and overseas Republican groups. Lodged at Brown's Notel. (From Jolis interview and Casey's Monthly Minder.) Depart London for Peris to meet another everses Republican group; Turses Halters and Jeane Krts-patrick. Casey & Allen lodge at the Edward VII Hotel. Casey, Allen & Jolis fly via British Air. Lodge at Brown's Hotel. (From Jolis interview.) Meeting with Republican organizations. Lodged at Brown's Hotel, (From Jolis interview.) Casey's Monthly Minder: "B.A. 10:15 Concorde 172 Arr 7:00pm" Casey's Monthly Minder: "Air France 11:30 871 to Paris" Saturday 5th Sunday 6th Monday 7th Tuesday 8th Long Island, NY Paris/MYC/DC DC/Detroit/Los Angeles DC? Casey's Monthly Hinder: Casey's Honthly Hinder: "Air France Concorde 11:00 am Arr. 8:45 am" Invoice from the Creek Country Club. Invoice from the Metropolitan Club. Casey's Monthly Minder: "Va.-Detroit" and, at the bottom, "LA" HY: Casey has emergency tooth extraction (from Dr. Grayson's records & invoice.) DC: Amex receipt from the Empire Restaurant. Wednesday 9th Thursday 10th Friday 11th Saturday 12th Los Angeles Los Angeles Detroit Campaign staff meeting with Reagan, Meese, and Deaver. (From AP & NY Times reports.) Campaign staff meeting with Reagan. Amex receipt from Detroit Plaza Hotel. Sunday 13th Monday 14th Tuesday 15th Wednesday 16th 222 DC/Detroit Detroit Detroit Republican Convention. DC: Amex receipt from Sans Souci restaurant. Republican Convention.

AP report of 8:00 a.m. meeting with Christian Science Monitor at Detroit Plaza Hotel.

Detroit: AP report from Republican convention re Casey meeting with Rep. Van der Jagt. Thursday 17th

Betreft

Republican Convention.

Joins other Reagan adviors in meeting with repesentatives of President Ford. (NY Times, 7/18/80) Friday 18th

???

Saturday 19th

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Sunday 20th

Invoice from the Creek Country Club.

Monday 21st

Arlington/DC

Meeting with Dean Burch, James Baker, & Ed Meese. (From Washington Star.)

Amex receipt from Portofinos. Tuesday 22nd

DC/Los Angeles

DC: Meetings with Brock, Van der Jagt, & others. (From Casey's Monthly Rinder.)

Amex receipts from the Company Inkwell and Tiberio Restaurant.

LA: Casey's Monthly Minder: "5:30 Dept LA." Wednesday 23rd

Los Angeles/DC/ Arlington, Va.

LA: On hand for the announcement of James Baker & Anne Armstrong Joing the campaign. (From Washington Post.)

DC: MY Times quotes Casey in DC re: campaign finance lawsuit.

Va.: Amex receipt from Lee Yuen restaurant.

Thursday 24th

DC/Los Angeles

DC: Casey at Treasury Dept. to accept \$29.4 million FEC check for presidential campaign. (Photograph taken.)

Casey's Calendar: "12:30 Georgetown Club" LA: Amex receipt from LA Harriott Hotel.

Friday 25th

DC?/California?

Casey's Monthly Minder: "10:00 Ray, Verne (illeg.) etc. 11:00 Marsh" -Most likely in DC. (From Bay Buchanan.)

California: en route to Bohemian Grove in Santa Rosa? Saturday 26th

777

At Bohemian Grove?

Casey's Monthly Minder: "11:00 Ms Tobin." Sunday 27th

San Francisco/London?

At Bohemian Grove? Casey departs San Fran. for World War II conference in London? Monday 28th

?/London

Invoice from Hatchard's Books (London).

Arrives at conference cocktail reception by 4:00 p.m.

Tuesday 29th London/NY/DC

London: Casey delivers speech at 11:00 a.m. (From Hurray interview.)

NY/DC: Eastern Shuttle

Wednesday 30th

DC

MY Times quotes campaign spokesman as saying Casey returned from a trip abroad.

Casey's Calendar: "3:30 Max -Washington 6:45 - Dinner - George Bush - Alibi Club"

Casey's Monthly Minder has additional entries: "10:30 Mike Duva!" & "6:00 Zarb - Madison". Thursday 31st

DC?

Casey's Calendar:
"8:00 Staff Meeting
9:00 Gene Rossides
9:30 Father Flore +
Peter Pemma
10:30 Hike Duval
2:00 Cong. Task Force
424 Russell Office Bldg
-Lefkowicz - Jamorski-(11leg.) State-Carter
-drag press across townbad storiespress on - Roosevelt"

# 17. Whereabouts of William Casey, August 1980. (Generated by Investigation)

Friday 1st

BC?/Los Angeles

BC?: Funeral of William
Baroody, Sr. (From
Joeseph Baroody)

LA: Campaign staff
meeting with Reagan.
(From Allen notes.)
Casey's Calendar: "L.a."

Arrive at Bohemian Grove? (From McGowan) ??? At Bohemian Grove? (From McGomen) Richard Allen attempts to call Casey home in Long Island, NY.

Saturday 2nd

Sunday 3rd ??? Depart San Francisco? (From McGowan)

Honday 4th DC? Letter from Casey to James Lynn.

Tuesday 5th

RY: Dental work (from Dr. Grayson's files.) DC: Casey's Calendar: "9:00 Dr. Grayson 1:30 Ted Rodgers (crossed out) 2:00 John Grau + Bob Chambers 4:30 Jim Baker Verne Orr -Strategy meeting -GPH (illeg.) Wednesday 6th
DC/Arlington, Va.
DC: Heeting with Laxalt
(From Casey's Calendar.)
Va.: Amex receipt from
Sorabol restaurant.

Sunday 10th

7??

DC/NY
Amax receipt from NY
(partially legible.)
Cassey's Calendar &
Monthly Minder:
9:30 Debate Strategy
Heeting
1:00 Dr. Grayson

Thursday 7th

Friday 8th
Long Island, MY
Invoice from the Creek
Country Club.
Casey's Calendar:
"8:15 - Dr. Grayson
1 - De1ty
Eugene McCarthy dinner"

Saturday 9th

Monday 11th
DC?
Casey's Calendar 2
Monthly Minder:
"Republican State
Chairmen"

Tuesday 12th
???
Casey's Calendar:
"Chicago"

Wednesday 13th
DC/Arlington, Va.

Casey's Calendar: "7:00 Staff Heeting (crossed out) lunch with Ed Heese 3:00 - Bob Gormley(?) 5:00 - conf rm. Peter Dailey et al 7 - Gant" Thursday 14th
DC/Arlington, Va.
Amex receipt from Sans
Souci restaurant. MJC
Calendar: "8:15 Sans
Souci"
Casey appears on ABC-TV.
(From Washington Post,
8/16/80)

Friday 15th
Arlington, Va.
Amex receipt from
Sorabol restaraunt.

Saturday 16th

Sunday 17th

777

Monday 18th

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Casey's Calendar includes: "Atlanta" and "Chicago - Ted Webb"

Tuesday 19th

Arlington, Va.

Amex receipts from Lido de Venezia restaurant and Sorabol restaurant.

Casey's Monthly Minder: "10:30 Elliot Abrems 11:00 Mex 2:00 Ted Welch Bob Evans"

Wednesday 20th

Letter to J. Daniel Mahony.

Debate briefing 2 p.m. (From Casey's Calendar & Honthly Minder.)

Casey's Calendar

Thursday 21st

DC/Arlington, Va.

Casey's Calendar & Honthly Hinder: 3:00 Dale Gianturco 4:00 Bill Brock

Friday 22nd

DC

Amex receipt from Company Inkwell; Metropolitan Club invoice.

Saturday 23rd

777

Sunday 24th

Los Angeles

Amex receipts from LA Airport Harriott.

Monday 25th

DC/Los Angeles?

MY Times reports Casey at the presidential candidates' debate.

Casey's Calendar & Honthly Hinder: "LA"

Tuesday 26th

DC/NY

DC: Invoice from Sidney Kramer Books.

Casey's Calendar includes: "3:00 Laxalt, Wirthlin, WJC - 60 Sen.+Cong. re: Surrogate Program etc." Eastern Airlines Shuttle receipt. Wednesday 27th

DC/NY

Eastern Airlines Shuttle receipt.

Thursday 28th

Arlington, Va./Chicago/ Columbus, Ohio

Columbus Dispatch photograph of Reagan's morning campaign stop includes Casey.

VA: Amex receipt from King Dynasty Sorabol.

Chicago: Amex receipt from O'Hare Hilton

Friday 29th

Middleburg, Va./DC

Heeting of top campaign aides, including Casey. (From AP report.)

Casey's Calendar includes: "7:30 Dinner Armstrong's Watergate So. ..."

Saturday 30th

Long Island, NY/DC?

Invoice from the Creek Country Club.

Casey's Calendar: 1:00 - 3:00 Debate orientation group.

Sunday 31st

Long Island, MY

Invoice from the Creek Country Club.

### 18. Correspondence Between Dr. Arthur Funk and William Casey



( UNIVERSITY OF FLORIDA Gainesville, Florida 32611

Department of History 4131 GPA Tel. 904-392-0271

January 11, 1979

Mr. William J. Casey Rogers and Wells 200 Park Avenue New York, N. Y. 10017

Dear Bill:

Genevieve and I just returned from England where we spent the last three months. I was teaching in the Florida State London Study Center and also doing some research in the PRO. (I went through the ULTRA records that related to the landings in southern France.) Are you perhaps in Florida at this time? Please let us know if you are in the vicinity of Gainesville.

When I was in London I spent some time with William Deakin, chairman of the British World War II Committee. We have for a long time been interested in a meeting which would bring together Americans and Englishmen to discuss controversial aspects of the war. The attached memo sets forth some of our ideas. I wonder if you would be interested in this from one or both of two points of view. First, as a participant. It strikes me that if you were to give a paper on SO from the American side, and someone like M.R.D. Foot from the British side, on SOE, this would make a very good session. Second, as a project worthy of support by the Casey Foundation. You will recall that I did not feel justified in accepting support to send me personally to the Polish meeting. On the other hand, a program sponsored by our own committee, for an end which I consider to be worth while, is another matter.

Are you making progress with the book: The same a sabbatical, and I'm trying to finish up this project on the same for which I have been gathering materials for a long time. Trying to relate the regular campaigns with Jedburgh's Conditional of the missions, and with the French Resistance. The same no longer chairman of the department, I have hopes I will also the time to make some progress.

1 -1-

Arthur L. Funk

April 29, 1980

Mr. William J. Casey Rogers & Wells 200 Park Avenue New York, N. Y. 10017

Dear Bill:

Enclosed is the latest material which I have on plans for the London meeting. The participants are now all set, and the only thing left is to draw up a sort of brochure which will give information about the subjects and the people who will be giving the papers.

I was in New York a week ago and called your office, but I gathered there had been a death of a member of the firm, and the office was closed. I have of course been wondering how busy you are going to be with the Reagan campaign. With the convention coming up on July 14, if all goes well--as I am sure it will-you might well relish a holiday in London at the end of the month.

On the subject of obtaining additional funds, I would hope to be able to obtain some assurances before July. Our spring quarter finishes on June 13, and I am planning to come to Washington and New York the following week to do what I can in this area. My own plans are to leave on July 23 for London, attend the Agglo-American meeting, then on to Belgrade and Bucharest for the other meetings I am involved in this summer. The \$4500 I obtained from IREX will not cover the expenses of the Yugoslav meeting, and I have to work on that. Will you be in New York the week of June 16--or is it not possible to plan that far shead.

With best wishes,

Sincerely,

Arthur L. Funk

### 19. Invoice From Hatchard's Books, London

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27 AUG 1980

MR W J CASEY ROGERS & WELLS

TWO HUNDRED PARK AVENUE NEW YORK N.T. 10017 UNITED STATES OF AMERICA

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# 29. Allen Memo Re: L'Enfant Plaza Meeting; FBI Report on its Analysis of the Authenticity of the Memo

September 10, 1980

### CONFIDENTIAL MEMORANDUM FOR THE FILE

Today at 1142 Mike Butler, Senator Tower's office called me to ask me if I could meet with him to discuss a confidential matter. Subsequently, at about 12 o'clock he and Bud McFarlane came to the office and we drove back down to the Hill.

On the way, they told me about their meeting with a Mr. A. A. Mohammed, a Malaysian who operates from Singapore and who came to them via an old friend of Senator Tower's. Mr. Mohammed is apparently influential and/or active in the Islam religious movement.

This afternoon, by mutual agreement, I met with Messrs.
Mohammed, Butler and McFarlane. I also took Larry Silberman along to the meeting.

As it turns out, Mr. Mohammed claims to have a scheme which has ostensibly received the approval of Ayatollah Khomeini to release the hostages once the son of the Shah's returned to Iran and installed as a figurehead monarch. Larry and I indicated our scepticism about the possibility of such an exercise, especially since it also involves the release the hostages. We repeatedly stressed that we could nothing to interfere in this matter, and that we placed a high value on the national interest. We indicated that if he were to come to us after the election, and providing we were successful, we might be able to be of some assistance to him in this effort. However, for now, the question of the release of the hostages is wholly within the hands of President Carter and the Administration, as it properly should be.

Mr. Mohammed indicated that he and other Moslems are terribly disappointed by the Carter Administration, and claimed that Carter had "let us down time and time again." He was very vehement in his denunciation of the Carter Administration. However, we explained that while we share our distaste for the Carter Administration, the matter of the hostages is one affecting the national interest and therefore could not be made subject to partisan devices.

Both Larry and I indicated that we would be pleased to hear whatever additional news Mr. Mohammed might be able to turn up, and I suggested that that information be communicated via a secure channel. One of the questions that we had about the scheme was more or less resolved: we wanted to know why this information had not been taken to the Administration, and he indicated that he and his group have no faith in the Carter Administration sincerety or integrity. We suggested this was a matter for their judgment, but that in the context of the hostage matter we could not become active in the slightest.



#### U.S. Department of Justice

Federal Bureau of Investigation

Washington, D. C. 20535

August 5, 1992

Mr. Reid Weingarten Special Counsel "October Surprise" Task Force United States Senate Washington, D. C.

Dear Mr. Weingarten:

By letter dated July 2, 1992 Senators Sanford and Jeffords, Chairman and Ranking Minority Member respectively, of the Senate Subcommittee on Near Eastern and South Asian Affairs Committee on Foreign Relations, forwarded a memorandum prepared by Mr. Richard Allen on September 10, 1980, to the Federal Bureau of Investigation (FBI) for examination. This memorandum was supplied to the Senate by Mr. Richard Allen, National Security Advisor to former President Reagan, during his testimony on June 24, 1992.

The FBI Laboratory Division has completed a thorough examination of this memorandum and has prepared a report concerning the results of this examination, a copy of which is enclosed. Additionally, as was also requested by Senators Sanford and Jeffords, the original memorandum is being enclosed, so that you may return it to Mr. Allen.

Letter Inspector-in-Charge Terry T. O'Connor to Mr. Reid Weingarten, Special Counsel, "October Surprise" Task Force, United States Senate

If you have any questions, concerns or require any additional assistance in this matter, please do not hesitate to contact Inspector-in-Charge Terry T. O'Connor at (202) 324-9240/8859.

Sincerely,

Terry T. O'Connor Inspector-in-Charge

#### Enclosures (2)

- 1- Honorable Terry Sanford
  Chairman
  Subcommittee on Near Eastern
  and South Asian Affairs
  Committee on Foreign Relations
  United States Senate
  - 1 Honorable James Jeffords Ranking Minority Member Subcommittee on Near Eastern and South Asian Affairs Committee on Foreign Relations United States Senate

# A TROTAGORY AL

### FEDERAL BUREAU OF INVESTIGATION WASHINGTON, D. C. 20535

Date:

July 31, 1992

To: Inspector in Charge FBI October Surprise Task Force

62A-HO-1024847

Lab No.

FBI File No.

20707003 D UD

::

Communication dated July 6, 1992

Your No.

62A-HQ-1024847

Re:

Specimens received:

July 6, 1992

Specimens:

Q14

Typewritten page dated September 10, 1980 beginning CONFIDENTIAL MEMORANDUM FOR THE FILE..."

Result of examination:

#### Conclusions

A positive determination could not be made whether the Q14 document was prepared on "September 10, 1980" based on paper, typewriter, and ink analysis.

Enclosure

Page 1

(over)

This Report Is Furnished For Official Use Only

#### Typewriting

The questioned typewriter impressions appearing on Q14 most closely correspond to Laboratory standards for an IBM Prestige Elite style of type. The typewriting was produced by a single element machine having a lift-off correction capability. The IBM typewriters capable of producing this document were commercially available prior to the date on the document.

The ribbon used to prepare the document is a carbon ribbon which would contain the text of the document in readable form.

#### Watermark

The watermark "Eagle-A Trojan Bond 25% cotton fiber" appears on the Q14 paper. Paper bearing this watermark was commercially available prior to the date on the Q14 document.

#### Staples

Staplers having a one half inch span and producing holes similar to those appearing in the upper left corner of Q14 predate the Q14 document.

#### Ink

It could not be determined through ink analysis when the Q14 document was prepared.

5

#### Disposition

Q14 has been photographed and is returned herewith.

Page 2 20707003 D UD

# 21. Letter From Robert McNamara, Assistant General Counsel, Department of Treasury, to Reid H. Weingarten, June 30, 1992



DEPARTMENT OF THE TREASURY

June 30, 1992

Mr. Reid H. Weingarten Special Counsel U.S. Senate Committee on Foreign Relations Washington, D.C 20510-6226

#### Dear Reid:

During our meeting yesterday afternoon, you requested that we prepare a synopsis of the U.S. Secret Service documents which we have provided to you during your investigation of the so-called "October Surprise" allegations.

As a result of earlier discussions with you regarding Senator Jeffords' and Sanford's original request of March 11, 1992, we provided the following documents:

- -- Shift Reports of then Vice-Presidential Candidate Bush's protective detail from September 15 to November 4, 1980.
- -- Preliminary, Technical Security, and Final Survey Reports of then Vice-Presidential Candidate Bush's protective detail from October 18 to 21, 1980.
- -- Employee Activity Reports for Special Agents Hudson, Tanis, Crosby, Cleary, and Korff for October 1980 and an travel voucher for Special Agent Korff.
- -- Shift Reports of the protective detail for Mrs. Bush for October 19, 1980.
- -- Survey Reports for Mrs. Bush's protective detail from October 18 to 22, 1980.

These documents were provided in redacted form to safeguard the protective methodology of the U.S. Secret Service and the privacy interests of individuals. Shift Reports for the three protective shifts for October 19, 1980, the first protective shift on October 20, 1980, and residence security for October 20, 1980, for the detail of George Bush, as well as for the second protective shift on October 19, 1980, for the Mrs. Bush detail, were provided to you as Special Counsel in unredacted form on a read-only basis pursuant to a non-disclosure agreement.

In addition, we have made available for interview by you and your staff six Secret Service employees. They are the Chief, Management and Organization Division, Wallace Keefe, who is the records custodian, and the five senior Special Agents assigned to the vice-presidential candidate detail: William Hudson, who was the Detail Leader; Leonard Tanis, who was the Assistant Detail Leader; and Benny Crosby, Michael Cleary, and Charles Korff, who were the Shift Leaders from October 14 to November 6, 1980.

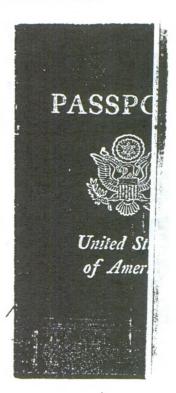
Please let us know if we can be of further assistance to you.

Sincerely,

Robert M. McNamara, Jr. Assistant General Counsel (Enforcement)

### 22. Earl Brian Passports

Earl W. Bara Dating Dem Ogt 18, 1974 Date of Expiration Dept. 17, 1979



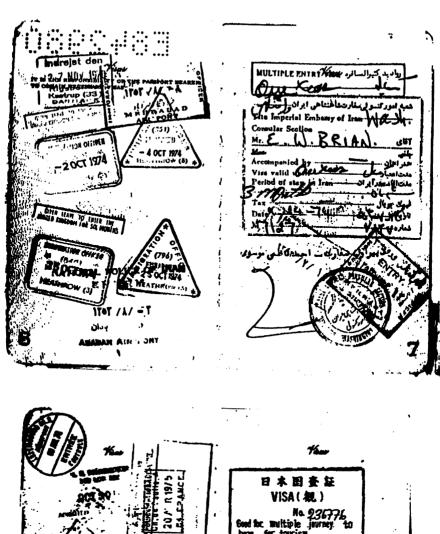
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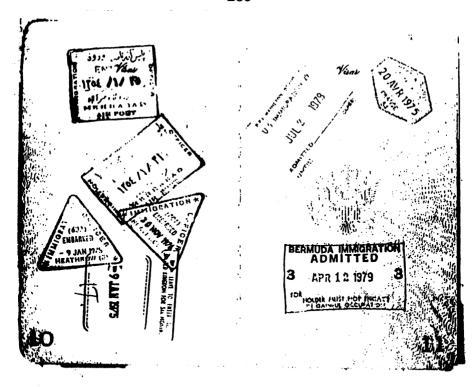
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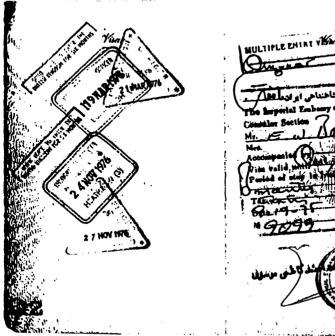
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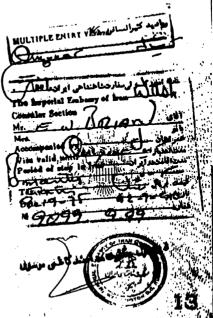
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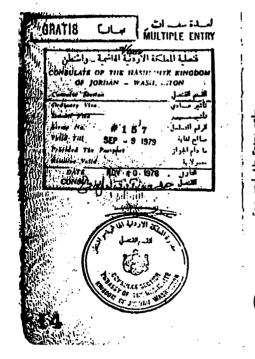


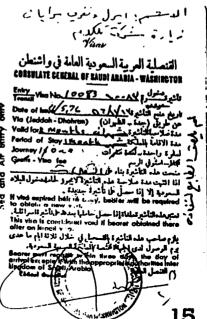




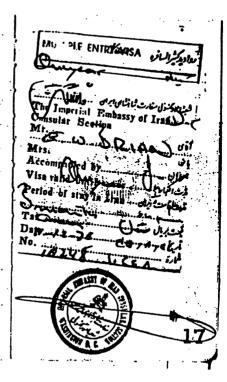












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#### GENERAL INFORMATION

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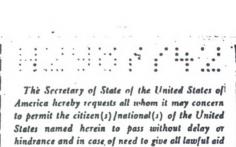
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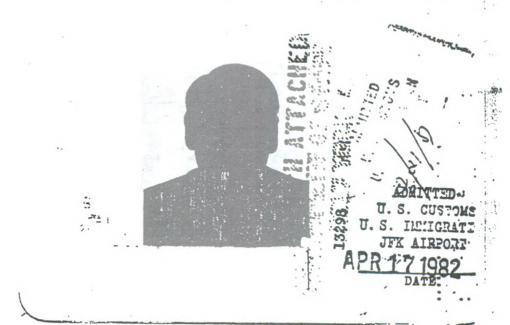


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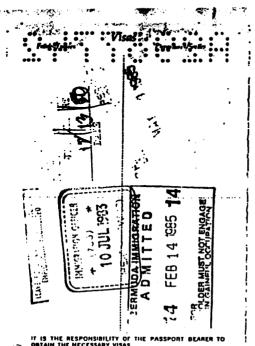
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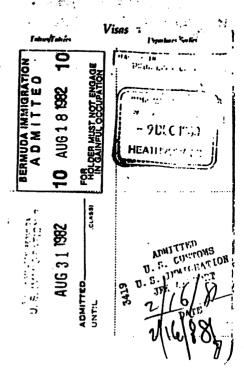
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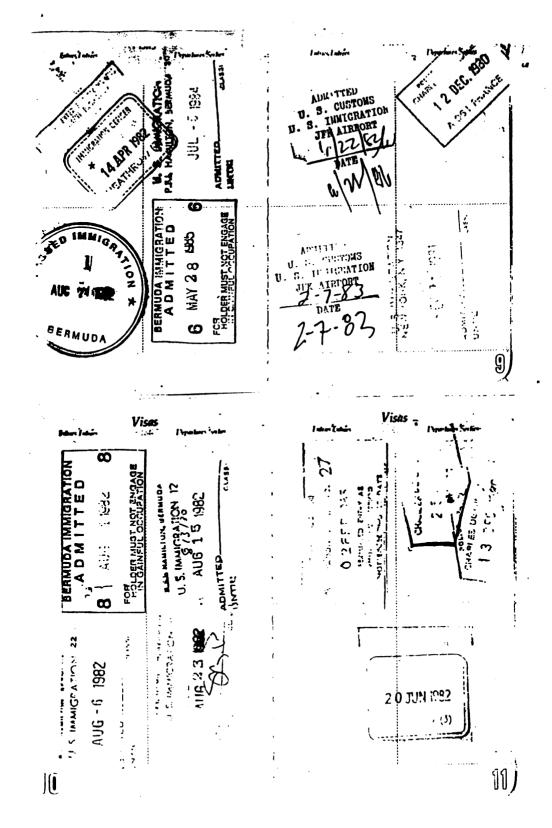
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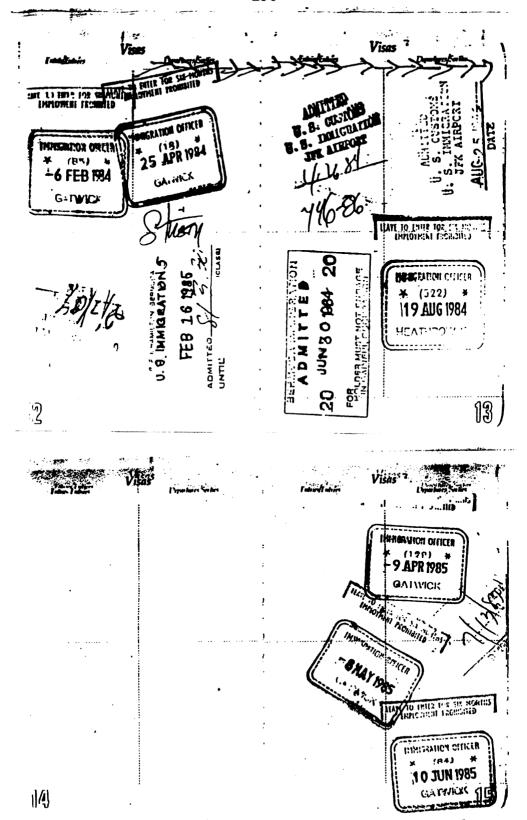
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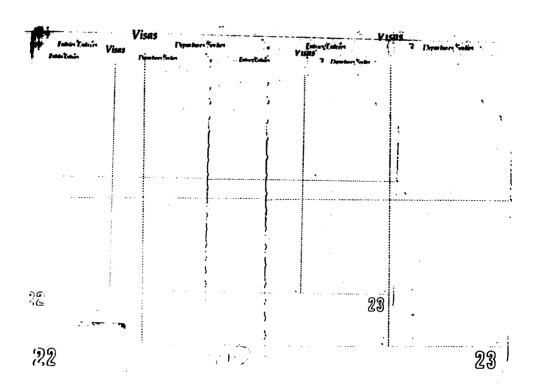




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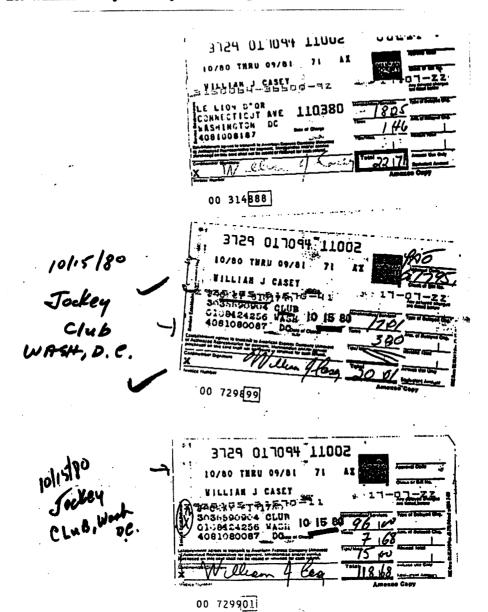


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MADE BY AN AUTHORIZE REPRESENTATIVE OF THE DEPARTMENT OF STATE, THE PASSPORT IS NOT VALID UNLESS
MEMBER BY THE BEARER ON PAGE TWO.

BUAL MATIONALS, a person is considered a sur-he owes allegiance to more than one country at the A claim to allegiance may be based on facts of birt perentage or naturalization. A dual national may, persolicition of the other country which common personal common than the country which common related for military sender. Dual nationals we problems should contact the nearest American co-munity TRAYELING IN DISTURBED AREAS you sh busch with the nearest American consular office.

#### GENERAL INFORMATION

# 23. William Casey's Jockey Club Charges, Washington, DC, October 15, 1980



24. Letter From William Casey to Alfred E. Smith Foundation, October 16,

# Reagan & Bush

Reegen Bush Committee

201 Routh Highland Stroot, Arlington, Virginia 2220s, 1763:686-3490

October 16, 1980

1000 -

Monsignor John Ruvo Alfred E. Smith Foundation 1011 First Avenus New York, N.Y. 10022

Dear Monaignor Ruvo:

I appreciate your arranging five seats for me at the dinner tonight and I enclose a contribution to the Alfred E. Smith Foundation.

Yours,

Nonation

william J. Casey Campaign Director

# 25. Memo From William Casey to Edwin Meese, Elizabeth Dole, and Robert Garrick. October 16, 1980

1973



Reagan Bush Committee

901 South Highbort Screet, Arlington, Virginia 22304 (702) 845-2400

MEMORANDUM TO:

ED MEESE ELITABETH DOLE BOR GARRICE

October 16, 1980

PROM: Bill Casey

I have information on which I place some credence that Carter is likely, while visiting Texas next week, to offer some relief to small royalty owners under the windfall profits tax. Small land owners receiving royalty checks are outraged at finding themselves subject to windfall profits tax. It would be a pity if Carter were permitted to escape the onus of this after the Governor has been taking a lead in opposing the windfall profit tax. We must get some statement together to present this by the end of the week. Liz Dole issued the attached memo on this a while ago.

Someone should call Bill Gifford, who can be reached at the Bechtel office in Washington — 393-6747 — or at his home 703/370-6722. Relief possibilities are being worked on in the Teasury for Carter and Gifford may be able to provide some information on this. In dealing with him do not ask about the source of his information or talk about the Treasury, but say that George Shultz has told me that he has some important information on this issue. Also, someone should talk to Congressman Bill Archer, who is the key guy in Congress seeking to protect the interests of these small royalty holders.

W. J. C.

### 26. William Casey's American Express Receipt From Lido de Venezia, Arlington, VA, October 17, 1980

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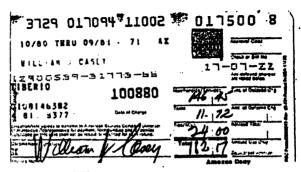
# 27. Visitors Log From Reagan Campaign Headquarters, Arlington, VA, October 18, 1980

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## 28. William Casey's American Express Receipt From King Dynasty Sorabol, Arlington, VA, October 20, 1980

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#### 29. Richard Allen's Notes From January 7, 1981, Reagan Foreign Policy Strategy Meeting

7 Jan 81

{Transcribed from RVA Log}

1045 Mtg

Meese Casey Haig Bush

Wirthlin

CW

RR

Laxalt

RVA

Baker Murphy

IFPA - 15th w/RR Re Working relationships

**Trips** 

USSR

Can Mex

#### Re IRAN

H - decouple hostage from Iran policy

- no more negot

RR- mistake has been --we neg. on their terms. It's backassward. Must be a penalty to them.

WJC - List of options during the campaign -w/draw Amb (others)

extend embargo

Cap - Take economic steps -- "dissipate" the wealth through escalating series of steps to distribute the

RR - If multilat, inform Waldheim --(1) we'll give UN 2 wks to deliver -- or UN out of US w/in 90 days

(2) split Bani Sadr -- seize & deliver hostages

GB - Snatch Kh?

RVA - Basic policy dec. needed

Haig - Yes RR - Every day \$1m per capita AH - Don't link hostages to money

- need internal analysis of Iran situation

RR - List of targets?

CW - Can do

AH - No more negotiations!

1) Keeps the money there

2) insulates us

IR -RVA • insulate Pres

· don't tie Admin

· coordinate other activities

RW - Public support

RR - They have committed act of war. Our host, considered POWs, entitled to all privileges. Hold Iran accountable for wellbeing.

•••Assets we've been holding are confiscated. No negot. until hostages resturned.

EM - sums up.

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#### 30. Glossary of Names

<u>Richard V. Allen:</u> former National Security Advisor to President Reagan, served as the chief foreign policy advisor to the 1980 Republican presidential campaign.

<u>Houshang Arvanpour</u>: a close associate of Admiral Ahmad Madani in the Iranian Navy; later supported Madani's political movement.

<u>Abolhassan Bani-Sadr</u>: President of Iran during much of the hostage crisis. Bani-Sadr claims there were secret meetings between Reagan campaign operatives and radical Iranian politicians in the fall of 1980 to discuss delaying the release of the hostages until after the U.S. presidential election.

<u>Mohammed Hussein Beheshti</u>: a co-founder of the Islamic Republican Party (IRP) and was Ayatollah Khomeini's chief representative in Teheran. Beheshti was killed in the bombing of the IRP headquarters in June 1981.

<u>Ari Ben-Menashe</u>: claims to be a former Israeli intelligence officer. Ben-Menashe has alleged that he participated in October 1980 meetings in Paris among Republican party officials, Iranian government representatives and Israelis, in which an agreement was made to delay the release of the hostages.

<u>Richard Brenneke</u>: an Oregon businessman who claims to have attended meetings between Iranians and Republicans in Paris in October 1980 concerning the hostage crisis. In 1990, Brenneke was tried and acquitted of false statement charges arising out of these allegations.

<u>William J. Casey</u>: Ronald Reagan's 1980 presidential campaign manager. He later served as Director of the Central Intelligence Agency. Casey died in 1987.

<u>Warren Christopher</u>: Deputy Secretary of State in the Carter Administration and chief negotiator in the final stages of the Iran hostage crisis.

<u>Charles G. Cogan</u>: Chief of the Near East Division of the Central Intelligence Agency from 1979 to 1984.

<u>Mansour Farhang:</u> Iran's representative to the United Nations during the early months of the hostage crisis.

<u>Sadegh Ghotbzadeh</u>: Iran's foreign minister during much of the hostage crisis. <u>In September 1980</u>, Ghotbzadeh claimed that Ronald Reagan was attempting to block the hostage negotiations.

<u>Donald Gregg</u>: Former CIA station chief in Seoul. National Security Council member during the Carter Administration. Currently, Gregg serves as the U.S. Ambassador to the Republic of Korea.

Alexander M. Haiq, Jr.: President Reagan's first Secretary of State in 1981.

<u>Cyrus Hashemi</u>: a banker and international businessman who was actively involved in assisting the Carter Administration in pursuing negotiations with Iran in 1980. It has been alleged by his brother Jamshid that Cyrus participated in meetings in Madrid in the summer of 1980 with William Casey and Mehdi and Hassan Karrubi. Cyrus Hashemi died in 1986.

<u>Jamshid Hashemi</u>: an Iranian expatriate (now a United States citizen) and international businessman who has alleged that he and his late brother, Cyrus, arranged meetings in Madrid between William Casey and Mehdi Karrubi, an Iranian cleric with ties to the Ayatollah Khomeini.

<u>Barbara Hayward</u>: William Casey's secretary at the law firm of Rogers & Wells in New York and during the 1980 presidential campaign.

<u>Mehdi Karrubi</u>: an important Iranian cleric associated with the radical Islamic fundamentalists close to Ayatollah Khomeini. It has been alleged by Jamshid Hashemi that Mehdi Karrubi and his brother, Hassan, met with William Casey in Madrid in the summer of 1980 to discuss the hostage crisis.

<u>Houshang Lavi</u>: an Iranian expatriate arms dealer living in the U.S. who claimed to have attended a meeting at the L'Enfant Plaza Hotel in Washington in the fall of 1980 with Robert McFarlane, Richard Allen and Laurence Silberman.

Samuel Lewis: United States Ambassador to Israel from 1977 to 1985.

Admiral Ahmad Madani: Defense Minister of Iran in the early revolutionary government following the fall of the Shah. He later ran unsuccessfully in the 1979 presidential election. Madani's candidacy received substantial financial support from Cyrus and Jamshid Hashemi.

Robert C. McFarlane: a former State Department counselor and National Security Advisor in the Reagan Administration. McFarlane was an aide to Senator John Tower on the Senate Armed Services Committee in 1980. McFarlane was involved in a meeting with an unidentified Iranian emissary at the L'Enfant Plaza Hotel in late September or early October 1980.

Edwin Meese III: served as the Reagan campaign's chief of staff. In this capacity, Meese was involved in the campaign's efforts to monitor President Carter's handling of the hostage crisis.

<u>Mahmood (Max) Moini</u>: legal advisor to the Iranian Embassy in Washington. During the hostage crisis, Eraghi became acquainted with Cyrus Hashemi and facilitated a meeting involving Hashemi, J. Stanley Pottinger and a close relative of the Ayatollah Khomeini in Madrid in July 1980.

<u>Reza Passindideh</u>: a nephew of the Ayatollah Khomeini and the son of an important Iranian clerical leader. Passindideh met with J. Stanley Pottinger in Madrid in July 1980 to discuss the hostage situation.

<u>J. Stanley Pottinger</u>: a former Justice Department official in the Nixon and Ford Administrations, represented Cyrus Hashemi in connection with Hashemi's role in hostage negotiations with Iran. Pottinger met with a close relative of the Ayatollah Khomeini in Madrid in July 1980 in an effort to resolve the hostage crisis.

<u>Hashemi Rafsanjani</u>: Speaker of the Iranian parliament or Majles during the hostage crisis.

<u>Mohammed Ali Rajai</u>: a former schoolteacher, Rajai was named Prime Minister of Iran in July 1980. In late October 1980, he visited New York to address the United Nations and indicated in private comments that the hostage crisis would soon be resolved.

<u>Mitchell Roqovin</u>: counsel to the John Anderson 1980 presidential campaign. In this capacity, Rogovin was approached by one of his clients, Houshang Lavi, an Iranian expatriate living in the United States, who proposed to broker an exchange of military spare parts for the release of the hostages.

<u>Harold Saunders</u>: Assistant Secretary of State for Near Eastern and South Asian Affairs in the Carter Administration.

<u>John Shaheen</u>: a New York businessman with close contacts to both William Casey and Cyrus Hashemi. Shaheen died in 1985.

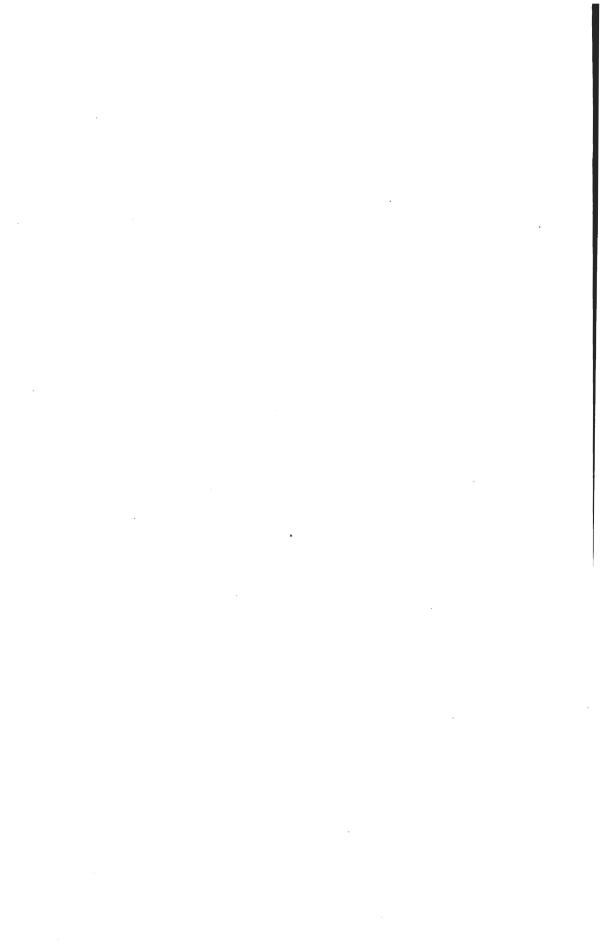
<u>Laurence H. Silberman</u>: now a judge on the United States Court of Appeals for the District of Columbia Circuit, was a foreign policy advisor to the Reagan campaign in 1980. He participated in a meeting at the L'Enfant Plaza Hotel with Robert McFarlane, Richard Allen and an unidentified Iranian emissary in the fall of October 1980.

Bernadette Casev Smith: the daughter of the late William J. Casev.

<u>Sadegh Tabatabai</u>: a marriage relative of Ayatollah Khomeini and a member of Iran's Revolutionary Council, traveled to West Germany in September 1980 to meet with U.S. State Department officials to discuss the hostage situation.

<u>Nicholas Veliotes</u>: Assistant Secretary of State for Near Eastern and South Asian Affairs at the beginning of the Reagan Administration.

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